Weekend FT

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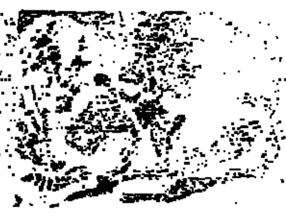

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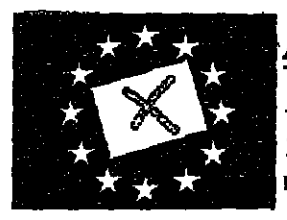

After the elections
Many-headed hybrid rises in Europe
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FINANCIAL TIMES

Europe's Business Newspaper WEEKEND JUNE 18/JUNE 19 1994 D8523A

France prepared to send 2,000 troops to Rwanda

France yesterday offered to send troops to stop the ethnic killing in Rwanda, but only Italy gave so much as a half-promise to support the French move. Paris told the nine-nation Western European Union defence group it was ready to send a battalion and reinforce it up to a strength of 2,000 if necessary. In Rwanda, meanwhile, UN-brokered peace talks stalled after rebels killed a peacekeeper, and a pro-government militia stormed a hotel sheltering refugees. Page 3

Belfast children attacked: A man wielding a flame thrower injured six children as they sat an A-level examination at school in Co. Down, Northern Ireland. Three were seriously hurt.

Rail meeting today: Both sides in the rail dispute are due to meet today for talks aimed at averting another strike over pay. Page 4

Metallgesellschaft, the heavily-indebted German mining, metals and industrial group, has raised DM1.2bn (£480m) from the sale of its near-80 per cent stake in Buderus, an engineering and building supplies subsidiary. The sale was handled jointly by Deutsche Bank and Dresdner Bank via an international share placing. Page 11

Greycoat launches rights issue: The property company rescued from near-collapse last year launched a £47m rights issue to buy and refinance part of a London office and retail property. Greycoat made a £40m pre-tax loss for the year to end-March but returned to profits in the second half. Page 10; Lex, Page 24

Footballer on charge: US football star O.J. Simpson was charged in connection with the murders of his ex-wife and a male companion.

Unisys, US computer company, warned slow sales of mainframes in Europe would mean lower-than-expected second-quarter earnings. Its shares fell from $10¾ to $9. Page 11

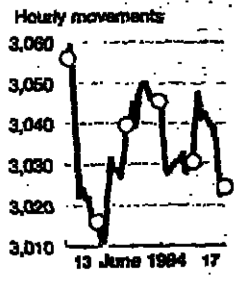
LVMH optimistic on profits: The French luxury goods group expects net profits to rise by more than 30 per cent in the first half of this year as the luxury goods industry recovers. First-half profits last year were FFr935m (£109m). Page 11; Lex, Page 24

Pharmacia offer oversubscribed: Sweden will raise SKr9.4bn (£800m) from the sale of a 47.4 per cent voting stake in world-class drugs group Pharmacia. The government offer was heavily oversubscribed. Page 11

Aeroflot, the Russian airline which has been split into 321 small airlines, plans to sell a 49 per cent stake at a privatisation auction, airline officials told Reuter. The airline became a joint stock company this week.

FT-SE 100 index

Hourly movements



Source: Reuters

FT-SE index eases: The FT-SE 100 index gained 20 points early in the day, but shares went lower when gilts fell. The index closed at 3,022.9, a net 7.2 points down on the day and fell 33 points over a week in which confidence was dented by uncertainty in bond markets. Page 15; Markets, Weekend FT, Page II

Militant leader killed: Indian forces killed 19 suspected Kashmiri separatists, officials said, including a leader of the group that has kidnapped Britons Kim Housego, 16, and David Mackie, 36.

Dublin exchange opens: Europe's only floor-traded currency futures exchange opened in Dublin as FINEX Europe, a futures and options division of the New York Cotton Exchange, began offering currency futures.

Vietnam in gas venture: British Gas TransCanada PipeLines and Japan's Mitsui signed a deal with state oil company PetroVietnam on Friday for a feasibility study on a $400m (£266.6m) project to open up Vietnam's natural gas market.

Body search is over: Police called off their Gloucester-centred search for human remains after four months. Builder Frederick West, 52, has been charged with 11 murders and his wife Rosemary with nine.

Cricket: England were 94 for the loss of Alec Stewart's wicket in reply to New Zealand's 476 in the second test at Lord's in London.

■ STOCK MARKET INDICES		
FT-SE 100:	3022.9	(-7.2)
Yield	4.09	
FT-SE Eurotrack 100	1398.34	(-6.42)
FT-SE-A All-Share	1515.01	(-0.2%)
Nikkei	21,503.30	(+135.83)
New York: lunchtime		
Dow Jones Ind Ave	3787.83	(-23.47)
S&P Composite	458.72	(-2.21)
■ US LUNCHTIME RATES		
Federal Funds:	4¼%	
3-mo Treas Bills: Yld	4.20%	
Long Bond	86	
Yield	7.424%	
■ LONDON MONEY		
3-mo Interbank	5⅛%	(same)
Liffe long gilt future:	Jun 101	(Jun101⅛)
■ NORTH SEA OIL (Argus)		
Brent 15-day (August)	$17.16	(16.84)
■ Gold		
New York Comex (Aug)	$383.7	(387.5)
London	$388.20	(386.3)

■ STERLING		
New York lunchtime:		
$	1.53	
London:		
$	1.5195	(1.5201)
DM	2.4765	(2.4805)
FFr	8.4489	(8.4644)
SFr	2.0824	(2.0848)
Y	157.256	(157.074)
£ Index	80.0	(same)
■ DOLLAR		
New York lunchtime:		
DM	1.6120	
FFr	5.506	
SFr	1.3660	
Y	102.89	
London:		
DM	1.6299	(1.6319)
FFr	5.5605	(5.5685)
SFr	1.3705	(1.3715)
Y	103.485	(103.335)
$ Index	64.9	(same)
Tokyo close Y 103.55		

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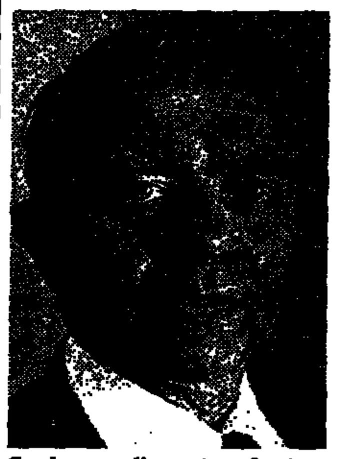
Life insurers criticised for poor surrender values

Some customers would have been better off holding cash, says OFT study



Carsberg: policy rates of return were in some cases negative

By Norma Cohen, Investments Correspondent

Some UK insurance companies offer such poor terms for cashing in life policies early that customers could be better off holding their savings in cash, according to the Office of Fair Trading.

An OFT report on 60 of the UK's largest life insurers yesterday discloses wide disparities in the surrender values of life insurance policies.

The study shows that companies with household names are among those offering the worst returns to policyholders. It will reinforce the OFT's campaign for greater disclosure of costs and charges by insurance companies.

The OFT cites industry studies showing that one quarter to one third of all policies lapse in the first two years alone.

Sir Bryan Carsberg, director general of fair trading, said: "On the basis of assumptions about lapse rates and projections of surrender and maturity values, the policyholders of some companies' appear to receive average rates of return which are no more than marginally positive, or even negative."

For instance, on a 10-year "with-profits" policy, involving payments totalling £3,000 in premiums over the first five years, the policyholder would earn a refund of £3,315 from Eagle Star but a refund of £2,244 from National Provident Insurance.

On a 25-year unit-linked policy, where £3,000 in premiums had been paid in the first five years, Scottish Mutual would refund £2,534 while Allied Dunbar would repay just £1,500.

The study shows that several companies that offer the worst early surrender values are also those which have been fined or disciplined by Lautro, the self-regulatory body for the life insurance industry, for mis-selling. They include Guardian, London and Manchester, Reliance Mutual, Legal and General and Colonial Mutual.

Other companies offering poor value to early leavers in at least two product types are Royal Life, Axa Equity and Law, Irish Life and Pearl.

Only one company whose products rank in the top five of value for money on early surrenders – Norwich Union – has been fined for poor sales practices. Equitable Life ranked in the top five for almost all products.

The study also examined the profit margin earned on each policy in each year of its life and concluded that for some companies, greater profits are earned on policies that surrender early. "For a few companies, the pattern of profits suggests that returns to the company are higher when more policyholders surrender early with significant losses," Sir Bryan said.

The Surrender Values of Life Insurance Policies, Office of Fair Trading, OFT PO Bos 2, Central Way, Feltham TW14 OTG

Finance and the Family, Page III

US disarray over policy on sanctions for N Korea

By John Burton in Seoul and Alexander Nicoll in London

US diplomatic efforts to resolve the North Korean nuclear dispute were in confusion last night after indications of a breakthrough during talks in Pyongyang were disavowed by President Clinton.

Mr Jimmy Carter, the former US president seeking to broker a solution on a private visit to Pyongyang, told Mr Kim Il-sung, the North Korean dictator: "I would like to inform you that they have stopped the sanctions activity in the United Nations."

Cable News Network, the US television channel, showed him making the remark and reported that he told Mr Kim he was doing so after consultations with the White House.

However, Mr Clinton denied in Chicago there had been any change in US policy, which he had outlined on Thursday, to seek UN sanctions to punish North Korea for its failure to open its nuclear facilities to international inspection. He had said the US would continue to seek sanctions while it explored the credibility of the latest North Korean offers.

Mr Clinton said: "I don't know what he [Mr Carter] said, and I don't know that you know what he said. All I know is what I said, and what I said is the policy of United States."

The denial appeared to undermine the efforts of Mr Carter, who is scheduled to end his three-day visit to North Korea today. Though acting in a private capacity, he had been fully briefed by the White House before setting off.

During his talks, North Korea indicated it was willing to remain a party to the nuclear non-proliferation treaty (NPT), and Mr Kim said two inspectors from the International Atomic Energy Agency could remain at the North's nuclear complex in Yongbyon. North Korea withdrew from the IAEA this week.

Mr Carter told the 82-year-old dictator that the Clinton administration had "provisionally agreed" to a new round of talks with Pyongyang if it returned to the International Atomic Energy Agency and agreed to freeze its nuclear programme.

He suggested the US was ready to issue a declaration banning the use of nuclear weapons against North Korea if negotiations proceeded smoothly. North Korea has long sought such a guarantee.

In a goodwill gesture, Mr Kim said he was ordering the

Continued on Page 24

Political uncertainty and inflation fears push up bond yields

Source: FT Graphite

Fears of rising inflation and interest rates, and large budget deficits contributed to a continued fall in government bond prices while the US dollar was subject to sharp fluctuations.

Political uncertainty following elections to the European parliament earlier this month reinforced the bearish sentiment which has dogged the markets since the start of the year.

The US bond market outperformed European markets last week, as German bond prices fell 3 points,

Italian bonds posted the worst losses last week, as concerns about the new government's handling of the budget deficit mounted.

Report, Page 21; Hard times for gilts, Wkd V

Gummer set for row with developers

Minister urges restricting supply of Berkshire land for housing

By Andrew Taylor, Construction Correspondent

Mr John Gummer, environment secretary, looks set to anger housebuilders by restricting the supply of development land in one of the country's most sought-after housing markets.

Environment department officials have suggested to Berkshire county council that the government would prefer it to limit the supply of housing land in its forthcoming structure plan to 40,000 homes between 1991 and 2006. This is one-sixth less than the 48,000 homes recommended by DoE inspectors following a public inquiry last year.

The intervention is non-binding but is understood to reflect Mr Gummer's desire to strike a balance between the needs of development and of protecting the countryside.

It comes as the government struggles to recapture the allegiance of traditional supporters in southern England, many of whom oppose further housing development in rural areas. Berkshire councillors, who had proposed a lower development limit of 37,000 homes, will meet next week to discuss the department's letter. The structure plan is due to go to a meeting of the local authority's environment committee for approval next month. Mr Gummer may then overrule the council's plan.

The issue is regarded as a "landmark planning decision" by the Housebuilders' Federation, which proposed a development target of 52,000 homes. It will be the most controversial structure plan to be endorsed since the introduction of the 1991 Planning and Compensation Act which gave more power to local authorities to determine planning issues.

The outcome in Berkshire, according to housebuilders, will set the tone for future structure plans drawn up by other county councils.

Pressure for residential developments in southern England is expected to increase as the housing market recovers.

The federation has warned that a shortage of development sites has already pushed housing land prices up by 50 per cent in the south-east during the past year – "stoking inflationary pressures in the rest of the economy".

The Council for the Protection of Rural England, which supported the Berkshire's limit of 37,000 homes, is also likely to be dissatisfied with the 40,000 figure, which it says does not recognise environmental damage.

CPRE officials privately admit, however, that housebuilders are likely to be even more unhappy with the compromise total.

The need for the Tories to regain ground in southern England was highlighted in last month's local elections when they won only 27 per cent of the overall vote – the same figure as the Liberal Democrats who are seen by local electors as being strong on environmental issues.

Fighting to win the minister's ear, Page 6

Nuclear site clean-up costs more than double to £8.2bn

By David Lascelles, Resources Editor

The cost of cleaning up the UK Atomic Energy Authority's nuclear sites has more than doubled, according to government estimates released yesterday.

Mr Tim Eggar, the energy minister, said the authority's liabilities were now estimated at £8.2bn, against a previous estimate of £3.4bn. That consisted of about £6bn to decommission the authority's own sites, and a further £2bn for fuels and wastes and for cleaning up British Nuclear Fuels sites.

Mr Eggar said that the increase was because of:

- Inclusion of new costs – for example, looking after sites during the various phases of decommissioning, which can last 100 years.
- Costs for assessment studies and research and development.
- The completion of fuller studies of dismantling costs and the volumes of waste created.
- Greater allowance for contingencies.

The authority's sites are mainly experimental nuclear reactors at Windscale, Dounreay, Harwell and Winfrith. Since April, responsibility for decommissioning has been with UKAEA government division. The remainder of the authority, renamed AEA Technology and comprising the technology and consultancy operations, is now being prepared for privatisation. Its sale value has been estimated at £250m.

Mr Derek Pooley, chief executive of UKAEA government division, said yesterday he hoped the decommissioning work could be completed below the estimates. "It's our job to get the costs down," he said.

The actual, or discounted, cost of the UKAEA clean-up will be £5bn. It is normal practice in the nuclear industry to set aside financial provisions well before they are needed, and allow them to grow with compound interest. The discount rate used is 2 per cent.

The latest estimates suggest that the total undiscounted cost of decommissioning the UK's existing nuclear installations will be about £22bn-£23bn.

A year ago, the National Audit Office put the total cost at £18bn, using the AEA's earlier estimates.

But it warned that those estimates were "understated because of optimistic assumptions and significant omissions".

The British Nuclear Industry Forum, a trade group, said the new AEA figures had no bearing on estimates for other nuclear installations owned by Nuclear Electric and Scottish Nuclear, the two state-owned utilities.

The government is conducting a review of the nuclear industry to see whether further expansion can be financed by the private sector. Decommissioning costs are one of the key issues determining the economic viability of nuclear power.

CONTENTS

Austria Sch32; Bahrain Din1.250, Bermuda $2.00; Belgium BFr85; Canada C$1.75, China RMB24; Cyprus C£1.10; Czech Rep CZK60; Denmark DKr16.00; Egypt E£5.00; Finland FmK14; France FFr9.50; Germany DM3.50; Greece Dr350; Hong Kong HK$18; Hungary Ft185; Iceland IKR215; India Rup50; Indonesia Rp4,050; Israel NIS8.90; Italy L3000; Japan Y600; Jordan JD1.50; Korea Won 3000; Kuwait Fils625; Lebanon $US1.50; Luxembourg LFr65, Malaysia Rm4.80; Malta Lm0.80; Morocco Dh15.00; Nigeria Naira50.00; Netherlands Fl4.00; Norway Nkr17.00, Oman OR1.80; Pakistan Rs40; Philippines Peo 50; Poland Zl 32,000; Portugal Esc225; Qatar QR13.00; S.Arabia Rls11.00; Singapore S$4.30; Slovak Rep KSL50; South Africa R12.00; Spain Pta225; Sri Lanka Rup30; Sweden Skr18.00; Switzerland SFr3.30, Taiwan NT$85; Thailand Bht50; Tunisia Din1.500; Turkey L30000; UAE Dh12.00; USA $1.50 (Alaska & Hawaii $1.75)

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Belgian PM's candidacy increases prospects of deadlock at EU's Corfu summit

Dehaene to run for Brussels presidency

By David Gardner in Brussels

Prospects of a deadlock at next week's summit of European Union leaders on the choice of a successor to Mr Jacques Delors as European Commission president increased yesterday as Mr Jean-Luc Dehaene, Belgium's prime minister, formally declared himself a candidate.

Within an hour of the announcement, senior government allies of Mr Ruud Lubbers, the retiring Dutch prime minister, underlined at a press conference in the Hague that the Netherlands would not consider withdrawing Mr Lubbers' candidacy.

The Dutch premier, until recently considered the front-runner for the job, had announced he was seeking the job in May, but delayed a formal declaration until after last month's general elections in the Netherlands – in which his Christian Democrats lost their position as leading party.

Mr Dehaene, also a Christian Democrat, was in April approached by President François Mitterrand of France and then Chancellor Helmut Kohl of Germany to make himself available for the job, according to Belgian officials. But until yesterday he had refused to confirm he was seeking Mr Delors' mantle.

Mr Dehaene said he was making his candidacy public to remove all doubt that he had the full backing of the Belgian government, which published a statement calling for the support of Belgium's EU partners at the EU summit in Corfu next Friday. Fears have been expressed that Belgium's centre-left coalition could fall apart if Mr Dehaene steps down.

If both these Christian Democrats from small member states fight to the end, they risk letting in an outside candidate.

Sir Leon Brittan, the British EU trade commissioner, has campaigned openly for the job all year, with discreet backing from the UK. Mr Peter Sutherland, outgoing director general of the General Agreement on Tariffs and Trade, made clear he was available last month.

Although his chances were dismissed by his government in Ireland, some senior EU officials still believe Mr Sutherland has an outside chance as a tie-breaker in the event of a stand-off in Corfu. Sir Leon's chances are marred because Britain held the job, with Lord (Roy) Jenkins in the early 1980s, because the UK's partners are suspicious of its intentions towards European Union, and because by convention, after the 10-year tenure of the Frenchman Mr Delors, the job should now fall to a small member-state.

Christian Democrat leaders meet in Brussels on Wednesday to try to agree a single candidate.

This would be likely only if Mr Lubbers could be found a commensurate international position, such as secretary general of Nato, a job not in the EU gift. The Dutch premier was in Rome yesterday to lobby Mr Silvio Berlusconi, the Italian prime minister being assiduously courted by all candidates as a "swing vote" at Corfu.

Amid this jockeying for top international positions, Mr Dehaene remarked yesterday that if he was not chosen, "I still have my job" as Belgian premier.

• Greece has nominated Mr Christos Papoutsis of the governing Panhellenic Socialist Movement as its European commissioner for environmental affairs, write Kerin Hope in Athens and William Lewis in London.

Mr Papoutsis, seen as a Pasok moderate, was re-elected to the European parliament last week. He would replace Mr Yannis Paleocrassas, a conservative former finance minister.

The nomination has caused irritation in Brussels, where officials say protocol has been broken.

"The idea was to wait until the new president had been nominated and then let him have a certain influence in composing his team," one official said.

The nomination appears to be aimed at pre-empting yet another dispute within Pasok.

Procedo chief held as Balsam scandal spreads

By David Waller in Frankfurt

The scope of the alleged fraud surrounding Balsam, a German sports-floorings manufacturer, widened yesterday with the arrest of the chief executive of Procedo, the largest factoring company in Germany and the largest creditor to the Bielfeld-based Balsam.

The arrest of Mr Dieter Klindworth follows that of the entire four-man board at Balsam last week. It took place after BfG Bank, the biggest creditor to Balsam and Procedo, filed suit with Wiesbaden-based state prosecutors alleging that Procedo was an active party to the fraud, rather than a victim.

The latest arrest came on the day that creditor banks met in Wiesbaden to formulate their response to what is developing into one of Germany's largest post-war fraud scandals.

Bankers are owed DM1.74bn (£696m) by Procedo and face a further DM300m to DM400m in losses arising from transactions undertaken by Balsam in the derivatives markets. These are believed to have a gross value of up to DM14bn, dwarfing Balsam turnover of DM460m last year.

Bankers were told yesterday that the fraud had been in place for up to 10 years before it was discovered this month. According to the head of the Frankfurt branch of a UK bank, "it was the perfect scam", at the heart of which were faked applications for finance from the Procedo factoring company which conducted two-thirds of its business with Balsam.

Under a conventional factoring arrangement, the factoring company advances cash to its client against the security of unpaid invoices. It then takes a commission for the service and assumes responsibility for collecting the clients' receivables.

Bankers were told yesterday that Balsam obtained finance from Procedo on the basis of grossly inflated or fictitious contracts with overseas customers. They heard, for example, that the true value of UK contracts factored by Procedo was just £250,000, compared to £76m in Procedo's books.

Most of the contracts relate to the US, where Balsam had a business building sports arenas for schools and local authorities. Many of the contracts against which finance was raised allegedly did not exist but Procedo advanced the cash on the basis of "comfort letters" purporting to be from the St Louis office of the Arthur Andersen accountancy firm. These letters were forged and Andersen has said it did not know about the letters – which date back to 1984 – until June this year.

The representatives of the 50 banks owed money by Procedo are believed to have expressed anger yesterday that Allgemeine Kreditversicherung, the Mainz-based insurance company which owns 50 per cent of Procedo, is not willing to advance cash to rescue the factoring company. AKV is itself 50 per cent owned by Allianz, Europe's biggest insurance company, and Munich Re, its reinsurance associate.

WORLD NEWS DIGEST

French treasury lays claim to Tapie's furniture

The French treasury, competing with Credit Lyonnais bank as a creditor of Mr Bernard Tapie, laid claim yesterday to the politician's furniture. The Budget Ministry said that, in a near replay of a swoop by the state-owned bank last month, two bailiffs went to Mr Tapie's 16th-century Paris mansion to stake the tax authorities' claim on antique furniture and art works. Mr Tapie has said his collection represents some 40 per cent of his FFr800m (£93m) worth of assets.

The authorities, alleging tax evasion and business fraud over Mr Tapie's pleasure yacht, have asked for his parliamentary immunity to be lifted so that investigations can go ahead.

A Budget Ministry source said that the Treasury, in principle, has priority claim among creditors. But sources close to the loss-making bank, while stressing that it had no intention of engaging in open battle for the assets, pointed out that his belongings are guarantees on part of the FFr1.2bn it lent him. *Reuter, Paris*

US telephone company ruling

Federal regulators in the US cannot apply more lenient regulatory requirements to smaller long-distance telephone companies, the Supreme Court ruled yesterday. The Federal Communications Commission had allowed smaller long-distance carriers, including MCI Communications and Sprint, to offer rates and services without having to specify them to the FCC.

Because of the high cost of filing with the FCC, agency officials believed that relaxing regulations on smaller telephone companies would allow them to better compete against American Telephone & Telegraph, which controls 60 per cent of the long-distance market. *Jeremy Kahn, Washington*

Cyanide found in antibiotics

French police are investigating how cyanide got into a bottle of antibiotic drugs, causing the death of a young girl, Laboratoire Bellon, the French pharmaceuticals company, which produces the drug, said yesterday.

The company, a subsidiary of Rhône Poulenc, said the cyanide had been found in only one bottle of its Josacine antibiotic drug and that its presence was the result of a criminal act.

It said, however, that it was taking the precautionary measure of recalling all bottles of the drug, which is sold in France, its overseas territories and some African and Middle Eastern countries. *John Ridding, Paris.*

Ariane puts three satellites in orbit

The European Ariane space rocket yesterday successfully placed into orbit three satellites after one of the most important launches in the 14-year history of Arianespace, the European satellite company responsible for Ariane operations.

It was the first launch since the failure on January 24 of an Ariane rocket with the loss of two communications satellites worth more than $250m. *Paul Betts, Aerospace Correspondent*

Catalans come to González' aid

Pressure on Mr Felipe González, the Spanish prime minister, eased yesterday as Catalan nationalists in the Madrid parliament promised they would continue supporting the Socialists despite their poor performance in the European elections last week. The assurance was given by Mr Jordi Pujol, the head of Catalonia's autonomous government and leader of Convergència i Unió (CiU), in talks at the prime minister's residence in Madrid on Thursday.

The support of the 17 CiU MP's is sufficent to allow Mr González's 141-strong Socialist group in the 350-member parliament to continue governing but Mr Pujol stressed that the backing was conditional on the government's ability to maintain both its present pro-market policies and its commitment to transfer increased responsibilities to the regional governments. *Tom Burns, Madrid*

Ukrainian farm credits approved

Ukraine's parliament approved a new credits to the state farm sector which are expected to add 20-25 percentage points to inflation, and could bring a renewed cycle of hyperinflation by summer's end, according to reform economist Mr Victor Pynzenyk's. The government called the support, "the only hope for rescuing agriculture," which employs a third of the nation's labour force. *Jill Barshay, Kiev*

$400m Vietnamese gas study

British Gas, TransCanada PipeLines and Japan's Mitsui signed a deal with the state oil company PetroVietnam for a feasibility study on a $400m (£267m) project to open up Vietnam's natural gas market.

The project will harness gas now flared off during oil production in Vietnam's Bach Ho (White Tiger) offshore field, southeast of Ho Chi Minh City, and bring it ashore. After extraction of liquid petroleum gas, "lean gas" will be used for power generation and development of new industries, the companies said. *Reuter, Hanoi*

Canadian inflation below zero

Inflation in Canada has disappeared, with the year-on-year consumer price index falling in May for the first time since mid-1955. Statistics Canada said yesterday that consumer prices fell by 0.2 per cent last month. The annual inflation rate for the year to May was also minus 0.2 per cent. Inflation has been falling steadily since 1991 when it reached a peak of 5.9 per cent. High interest rates and the 1991-93 recession gave the initial impetus to weakening prices. *Bernard Simon, Toronto*

New currency for Uzbeks

The Uzbekistan government plans to introduce its national currency, the Som, on July 1, among the last of the ex-Soviet republics to do so, officials said yesterday in the capital, Tashkent. *Steve Levene, Tashkent*

Russian soldiers at a US-Russian veterans celebration earlier this year stand by a bridge near Torgau, east Germany, where US and Soviet forces met 49 years ago near the end of the second world war. The bridge was blown up by road authorities yesterday Reuter

Nordic parties to decide on EU

By Hugh Carnegy in Stockholm

A big step forward in persuading the people of Finland, Norway and Sweden to support membership of the European Union should be taken this weekend when three key political parties hold special conferences to decide official policy on the issue.

The Centre party of Prime Minister Esko Aho in Finland, Mrs Gro Harlem Brundtland's ruling Labour party in Norway and the powerful Swedish Social Democratic party will all make a formal decision on whether to back membership in their respective referendums to be held in October and November.

All three parties harbour strong anti-EU factions, but in each case the pro-membership stance of the party leaderships is expected to prevail, allowing the leaders to throw their party machines behind the Yes campaign.

The sharpest debate is likely in Finland, where Mr Aho has tied his future as party leader and the future of his coalition to a Yes decision.

Mr Aho was unsettled earlier this week when a number of his MPs abstained in a failed parliamentary vote of no-confidence because of their objection to his pro-EU policy. But he has produced a FM4bn (£480m) package of aid to help farmers over the adjustment to EU prices and should win the showdown vote today.

Mrs Brundtland and Mr Ingvar Carlsson, leader of the Swedish Social Democrats, are meanwhile confident of a safe pro-EU majority in their respective party meetings.

Last Sunday's decisive vote in favour of EU membership in fellow applicant Austria has given the Yes camp in the Nordic countries a boost. A poll this week in Finland, which will vote next on October 16, put support for the EU at 47 per cent, with 32 per cent against and 21 per cent undecided. But the No side remains firmly in the lead in Sweden, which votes on November 13, and in Norway, which votes on November 28.

Europe chemical recovery grows

By Daniel Green

Recovery in western Europe's chemicals industry is accelerating, according to the European Chemical Industry Council (Cefic).

"The west European chemicals business is benefiting from the economic recovery currently under way," said Mr Simon de Bree, Cefic's incoming president and chairman of Dutch chemicals group DSM.

Western European chemicals output should rise by 2 per cent in 1994, faster than the 1.5 per cent seen at the start of the year and compared with a contraction of 1 per cent past year, he said yesterday.

"Our optimism is also justified by the favourable trend of stocks and order book," he said. "Stocks of finished products were continuously reduced during the second half [of 1993], returning to normal levels in early 1994. This destocking masks the preliminary steps of a revival."

He admitted, however, that growth in Europe was still too weak to create a large rebound or to begin to catch up with the US chemicals industry.

Nevertheless, with annual sales of more than Ecu300bn (£230bn), the western European chemicals industry remained the biggest in the world.

Employment is expected to fall for the fourth consecutive year, this time by 3 per cent to about 2m. This will bring the total number of jobs lost in the European chemicals industry since 1990 to 200,000.

Nevertheless, Europe's unit labour costs had grown faster than prices. This had not happened in the US, and "the global position of the European chemical industry is under threat."

Taking the place of pharmaceuticals is plastics, where new manufacturing technologies and rising prices are helping production rise by 3 per cent this year.

Close behind are organic chemicals and paints, which are each growing by more than 2 per cent this year.

Only fertilisers will see a fall in production, 1.9 per cent.

Oslo agrees terms with Phillips on Ekofisk field

By Karen Fossli in Oslo

The Norwegian government yesterday agreed terms with Phillips Petroleum for new facilities for the ageing Norwegian North Sea Ekofisk field, ending two years of uncertainty over the future of the field, the hub of the world's largest oil transportation system.

The development of new facilities for NKr20bn (£1.83m) is the biggest investment in an oil field in the Norwegian North Sea sector in six years.

The agreement also demonstrates the government's willingness to be more flexible on operating conditions: it extends production periods in Ekofisk for oil companies which have been delaying commitments to develop new oil and gas fields, claiming Norway's tax regime is too stringent at a time when oil prices are relatively low.

In 1992 the Norwegian Petroleum Directorate, the oil industry watchdog, threatened to close the 250,000 b/dfield by 1996 for safety reasons.

Phillips last year submitted interim plans to improve the safety and operational reliability of the field which were rejected as inadequate by the authorities. However, the safety issue has been resolved because the old facilities will gradually go as new investment takes place.

Phillips Petroleum Norway, which holds 37 per cent of Ekofisk, had been reluctant to invest further in it because its operating licence ran only up to 2011, long before production was due to end.

Under the deal, Mr Jens Stoltenberg, the industry and energy minister, said the government would extend Phillips' licence to 2028 and waive a production tariff for the new facilities during the period 1999-2028, saving an estimated NKr900m. These two concessions helped pave the way for Phillips to commit itself to the investment for the new facilities, as they underpinned the economic viability of the field. The government estimates the sales value of petroleum resources in the field at NKr130bn between 1999 and 2028, based on an oil price of NKr108 a barrel.

The government also said it would take a direct 5 per cent stake in Ekofisk separate from that of Statoil, the Norwegian state oil company, which holds 1 per cent.

The agreement must clear two hurdles before the development can be realised: the Storting (parliament) must approve the deal and so must shareholders in the field, including Petrofina, which holds a 30 per cent stake, and Agip, which has 13 per cent.

The new Ekofisk plan calls for the construction of a simple well-head platform to accommodate 40 wells and for a processing and treatment platform. The well-head platform is due to be installed in 1996 and will use existing processing and treatment facilities until the replacement platform is completed for operation from 1998. Phillips will close seven existing platforms when the new processing and treatment platform becomes operational.

Russia knocks on west's doors

Moscow wants to enter three clubs, on its own terms, writes Bruce Clark

In the next three weeks, Russia will - barring last-minute surprises - step at least halfway across the threshold of three prestigious western clubs: Nato, the European Union and the Group of Seven leading industrial powers.

Although an end to the self-isolation of the Soviet regime is a long-standing aim of the Yeltsin administration, diplomats expect Moscow to haggle until the last moment over the size of its fee for appearing in the three-act drama.

Nato announced yesterday that Mr Andrei Kozyrev, the Russian foreign minister, would sign up to Partnership For Peace, the western-inspired military co-operation programme, in Brussels on Wednesday.

The following day, President Boris Yeltsin will travel to the Greek island of Corfu where – with ships of the disputed Black Sea Fleet at anchor nearby – he will dine with the leaders of the European Union.

He will also sign a partnership agreement under negotiation for two years, and intended to open the EU market for many Russian products.

Two weeks later, Mr Yeltsin and his western counterparts will converge on another Mediterranean beauty spot, the port of Naples, for the G7 summit. For the first time, a Russian leader is expected to play a full part in the group's political consultations.

The precise terms on which Russia joins the Partnership For Peace will be the subject of vigorous negotiations over the next four days.

Mr Vitaly Churkin, the senior Russian diplomat who speaks for Moscow in former Yugoslavia, arrived in Brussels yesterday to thrash out the content of a broad Russian-Nato agreement that will be sealed at the same time as Mr Kozyrev signs up to PFP.

Mr Churkin and Nato diplomats will be haggling about both the content of the accord, and its presentation.

Nato has tried to play down the extent to which Russia is being treated differently from the 20 countries, mostly ex-communist, which have already signed up to PFP.

Mindful of the existing partners' sensitivities, the alliance has vowed not to conclude with Moscow any legally binding instruments, treaties or protocols over and above the standard entry form for PFP.

Nato wants any co-operation over and above PFP to be agreed on as informally as possible. In the much-quoted words of a British diplomat, "PFP must be the main dish, though there can be a nourishing side-salad."

However a binding protocol on the broader Russia-Nato link – which is expected to include a dialogue on nuclear and non-proliferation issues – is precisely what Mr Churkin will be demanding.

The Russians have already proposed one formula that would save the face of both sides: the document would be described as a *protocol* in Russian, but it would be stressed that the word does not have such a robust legal sense in Russian as it does in most western languages.

As to the content of the extra-PFP agreement, the Russian side wants it to endorse their idea – deeply unwelcome to the west – of subordinating Nato to the Conference on Security and Co-operation in Europe.

One Russian draft reads in part: "The paramount aim of the partnership would be... co-operation over settling crises, averting conflict, conducting peace support operations, and forming an effective system of security and stability in Europe that takes into account the leading role of the CSCE..."

Other aims would include: "Co-operation in the prevention of the proliferation of weapons of mass destruction; the prevention of possible new nuclear missile threats; the conversion of military industries to civilian purposes; co-ordination of plans to produce new types of weapons - including jointly produced weapons; [co-operation over] arms control and disarmament, and the fight against nuclear and any other form of terrorism."

Most of these ideas are broadly acceptable to Nato, as long as the west can choose when it wants to discuss these issues with Russia and when it wants to keep the discussion private.

Russia's aim is exactly the opposite: it wants its right to participate in western deliberations on broad security issues to be as formal as possible.

The Russian proposal's inclusion of non-proliferation and nuclear terrorism is a reminder that on these issues, its interests coincide to a broad extent with those of the west. Moscow has no wish to see rogue regimes or, even worse, rogue individuals in control of nuclear weapons.

However Russia is keenly aware of how badly the US needs its vote on the UN Security Council for any moves to put pressure on North Korea and other potential nuclear rogues.

Mr Kozyrev will be discussing this issue with Mr Warren Christopher, the US secretary of state, before signing up to PFP.

Conceding to Russian aspirations on the form – and even the content – of its relations with Nato may turn out to be the price that the US and other western countries are obliged to pay for securing Moscow's co-operation in dealing with nuclear miscreants.

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Italy may also be ready to help stop the slaughter

Paris offers 2,000 troops for Rwanda

By David Buchan in Paris

France told the Western European Union defence group yesterday it was ready to send troops to stop the ethnic slaughter in Rwanda but apart from a half promise from Italy won no immediate pledges of support from other allies.

France told a meeting of ambassadors from the nine-nation WEU in Brussels it was ready to send a battalion and reinforce it up to a level of 2,000 troops if necessary, diplomats said. Italy said it would not exclude sending troops, but made no firm commitment.

Mr Willem van Eekelen, WEU Secretary-General, said after the meeting ambassadors would meet again on Tuesday to assess which countries were ready to make a contribution to the mission.

He said the WEU would coordinate any operation rather than run it directly and that there was agreement that any mission would have to be carried out with United Nations approval.

His comments follow pressure from France for African and European partners to intervene in Rwanda to stop continued killing there.

Graphic pictures and accounts of the massacre of thousands of people brought back by French television and visiting ministers, have helped spur France into action, as well as frustration that a month after a UN resolution authorising a new UN force, there is still no sign of it getting anywhere near Rwanda.

France has intervened in Rwanda before. It sent in 600 soldiers in 1990 to stop the Hutus and Tutsis killing each other and broker a power sharing arrangement. This eventually bore fruit in last year's Arusha accords, an investment of French diplomatic and military effort that Paris evidently does not now want to see wasted.

To avoid charges of acting in a maverick or neo-colonial manner, France is keen to persuade other Europeans to join it in sending troops.

Prime Minister Edouard Balladur told the leaders of Benin and Mauritius that French intervention would be strictly humanitarian, designed to bring some calm and food to the country before handing over to planned UN reinforcements.

Mr Alain Juppé, the foreign minister, was meanwhile on visits to Ivory Coast and Senegal. Paris hopes that Senegal, which has already offered troops to the UN force, might be ready to send them earlier, under some sort of new UN resolution covering the French initiative.

France would like UN authority under Chapter 7 of its charter; this would allow intervention without the approval of all sides to a conflict that is required under Chapter 6 and has so far stymied the arrival of the new UN force.

General Paul Kagame, commander of the Rwanda Patriotic Front (RPF), reiterated yesterday his opposition to intervention by France, because it had trained the Hutu-dominated government forces.

The French government yesterday strongly denied French soldiers may have shot down President Julien Habyarima's plane on April 6, the incident that triggered the violence.

Taiwanese hesitantly cast founder in a harsher light

The ruling party is slowly cutting links with Chiang era, writes Laura Tyson

Statues of Chiang Kai-shek, the generalissimo who fled China in 1949 and set up a nationalist government in Taiwan, are gradually being taken down or moved to less visible locations as the Chiang family influence wanes.

Over the last decade, Taiwan's ruling Kuomintang (KMT), once dominated by General Chiang and then by his son, Chiang Ching-kuo, has steered the island from a backwater military dictatorship into an industrial powerhouse and arguably the most democratic state in east Asia.

The party is moving to weaken the Chiang connections, but has stopped short of repudiating Gen Chiang whose often brutal rule ended at his death in 1975. However, the political landscape has changed markedly since, shortly before his death in January 1988, Chiang Ching-kuo set reforms in motion by lifting martial law and a ban on the formation of new parties.

Debate in the parliament has become so tempestuous that brawls are the norm, prompting Shanghai's Liberation Daily on Thursday to accuse Taiwanese lawmakers of making themselves an international laughing-stock and behaving like "monkeys".

In another sign of change, eight high-ranking generals were impeached earlier this month by the Control Yuan, a government watchdog, for wasting taxpayers' money in an arms deal from the mid-1980s. This public humiliation of the military would have been unthinkable in the Chiang era.

Nonetheless, the generalissimo's stern visage still looks down from the walls of government offices, banks, companies, and post offices. An estimated 30,000 statues remain in place across the island, in traffic circles, school grounds and other public places. But one statue of Chiang on horseback, a target of vandalism by opposition protesters, was spirited away this month at night under heavy police guard by the city government, ostensibly to ease a traffic bottleneck.

The KMT is now run by Taiwan-born civilians, the military-linked Chinese mainland faction having been decisively shoved off the political stage in early 1993. But its present leadership remains reluctant to complete a reassessment of history which would inevitably tarnish the former first family's image.

This is not only because many senior government officials, including President Lee Teng-hui, owe their political advancement to the family, but because to reject Chiang would be to jettison his vision of reunification with mainland China – tantamount to declaring Taiwan's independence, which in turn might provoke Beijing into the use of force.

In an unusually frank interview with a Japanese scholar published a few months ago, President Lee actually referred to the KMT as a "foreign regime" and termed Beijing's inclusion of Taiwan as a province of China a "strange dream". Earlier this week a Chinese news agency for the first time attacked President Lee by name, accusing him of trying to "split the motherland".

There are limits to change. "The KMT is trying to de-emphasise the connection between the present government and the past regime in what is part of the 'indigenisation' of the party," said Mr Lu Ya-li, a professor at National Taiwan University.

"They've made several concessions to the demands of the opposition, but they're afraid of sparking a conservative backlash if they go too far."

In particular, the KMT refuses to release documents locked in military archives which might shed light on events surrounding a massacre of Taiwanese in the early months of 1947, known as the "2-28 incident" for the February day on which it is said to have begun.

An estimated 15,000-30,000 people were either killed or disappeared at the hands of KMT forces quashing Taiwanese rebels. Most of those killed, scholars say, were from Taiwan's intellectual class.

While the genesis of the 2-28 incident has yet to be fully clarified, many scholars believe the withheld documents would reveal what has long been suspected: Chiang himself was behind the crackdown which took place two years after Japan ceded rule of the island to the then Nanjing-based Nationalist Chinese government.

Opening the archives would also unmask the names of military personnel who carried out orders, possibly sparking a hunt for those still alive. "There are a lot of skeletons in the closet," said Prof Lu.


Chiang Kai-shek: place in history re-evaluated

On Wednesday, relatives of victims in the 2-28 incident demonstrated before the KMT headquarters, calling the KMT a "bandit" party. Protesters demanded a formal government apology, compensation of NT$10m (£240,000) per victim and a public holiday for February 28 to commemorate the tragedy.

The KMT early this week agreed to pay families up to NT$6m for each person killed, although it declined to use the term "compensation", preferring the word "arrangement". But it rejected demands to apologise, to declare a national holiday, and to force military commanders responsible to face trial.

There are some concessions to the truth, although the KMT is still reluctant to confront its past and that of Gen Chiang. In the last year, textbooks have inserted for the first time a brief mention of the 2-28 incident.

"There will gradually be a more objective evaluation of Chiang Kai-shek's place in Taiwan's history," said Prof Lu. "On the one hand he was responsible for land reform here, and he maintained the economic stability Taiwan needed to develop. But he has also been criticised for rigidity in foreign policy and disregard for human rights, even brutality."

TEXTILE CHIEF'S SENTENCE OVERTURNED

Taiwan's Supreme Court has overturned the conviction and 2½ year prison sentence of flamboyant textile tycoon Oung Ta-ming in connection with a $22m (£14.6m) stock-trading scandal which led to the resignation of a cabinet minister, writes Laura Tyson in Taipei.

Mr Oung is the de facto head of the Hualon group, which recently signed an agreement to establish a £157m textile plant in Northern Ireland, with British government backing.

The case against him was thrown back to the country's high court for retrial as there was not enough evidence to support the earlier verdict, according to the deciding judge.

Mr Oung was convicted in 1992 on breach of trust charges for selling, below market value, shares in an unlisted life insurance company to the daughter of the former minister of transport and communications.

"There is not enough evidence to prove that Oung sold the shares at lower prices than the actual value. The definition of high and low is very subjective," a court spokesman said.

The decision prevents Mr Oung being stripped of the parliamentary seat he won in December 1992.

The Supreme Court upheld the acquittal of Mr Oung Yi-ming, a younger brother, for improperly enriching others in a land scandal. Sentencing was withheld in the case of another brother, Mr Oung You-ming, who was involved in the share scandal. He fled the island in 1991 and has not returned to face charges.

Japan's money supply raises credit concerns

By William Dawkins in Tokyo

The decline in Japanese corporate profits has started to ease but money supply continues to be weak, fuelling fears of a squeeze on credit.

The Bank of Japan announced that the country's benchmark money supply – M2 plus certificates of deposit – grew 1.7 per cent in May from the same month last year, a slowdown on the 2.2 per cent rise shown in April.

The broad measure of liquidity, which also includes postal savings, state debt and investment trusts, rose 3.2 per cent, a slight easing on 3.3 per cent in April.

This is still well below the 5 per cent annual growth which economic analysts believe is needed to fund a recovery, and is likely to add to central bank concerns over credit creation.

Separately, a quarterly survey of nearly 20,000 companies by the Finance Ministry showed a combined 5.8 per cent fall in pre-tax profits in the three months to March, from the same period in the previous year.

That was the 15th quarter of profits decline, but less bad than the 6.2 per cent profits fall of the previous three months and the 21.6 per cent fall in the period before that. In another slight improvement, corporate sales rose by 0.8 per cent in the first three months – led by service industries – breaking a decline of seven consecutive quarters.

The mood in Japanese boardrooms, however, remains cautious, as indicated earlier this week when Mr Shoichiro Toyoda, the new chairman of the Keidanren, warned in his first public speech that he did not have much confidence in the economic outlook. "Every year we seem to be preoccupied with wishful thinking," he said.

Brazil angered by WTO choice

By Angus Foster in São Paulo

Brazil yesterday reacted angrily to reports that Argentina, theoretically a close ally, had backed Mexican President Carlos Salinas to head the World Trade Organisation instead of the Brazilian candidate, Finance Minister Rubens Ricupero.

Mr Domingo Cavallo, Argentine economy minister, was asked to cancel a visit to Brazil which had been scheduled for later this month. Brazil's Foreign Ministry said the cancellation was not a reprisal, but the visit was considered "not opportune" because of Brazil's preparations to introduce a new currency.

However, a ministry spokesman said the Argentine action had caused "great discomfort" and had been viewed as "diplomatically inelegant".

The row started on Thursday night at the close of the fourth Iberian-American meeting in Colombia. Mr Salinas won the meeting's informal backing to head the WTO, which is to succeed the General Agreement on Tariffs and Trade next year. He was helped by Argentine President Carlos Menem who privately proposed Mr Salinas as the Latin American candidate. This led to allegations from Brazil, whose President Itamar Franco had left the meeting early to attend a funeral, that Argentina had waited for the Brazilian delegation to leave before raising the subject.

The informal backing of the Iberian-American group will strengthen Mr Salinas' candidature, and only one candidate from Latin America is expected to be considered by the new body. But Brazil insisted yesterday that Mr Ricupero, the only person to have officially put his name forward, remained a "viable" candidate.

The row between Brazil and Argentina comes at a difficult time. The two countries have until the end of this month to finalise a common external tariff for the planned Mercosur common market, due to take effect on January 1. Brazilian officials are in Buenos Aires this week discussing the tariff rates.

California faces new budget crisis

By George Graham in Washington

California is once again facing a budget crisis, with an estimated $6bn (£4bn) cash deficit for the fiscal year which will end on June 30 and a furious political row over whether Governor Pete Wilson's budget arithmetic for next year adds up.

Under the state constitution, the California legislature is supposed to pass a new budget by June 15, but this deadline has passed and Mr Gray Davis, the state controller, is warning he may once again have to start issuing IOUs to pay the state's bills.

Governor Wilson's $57bn proposed budget for the 1994-95 fiscal year was thrown out of kilter when voters rejected three ballot proposals 10 days ago authorising nearly $5bn of bond issues to pay for repairs to roads, bridges and schools damaged in January's Los Angeles earthquake.

Californian finance officials are also on edge as they wait for the Supreme Court's decision on the case brought by Barclays Bank of the UK and Colgate-Palmolive of the US against the unitary tax formula under which they have in the past assessed taxes on corporations.

The Supreme Court is expected to issue its ruling as early as next week. If it decides for Barclays, California would have to refund about $400m. If it also decides for Colgate, another $1.3bn would have to be refunded.

The budget negotiations are complicated by electoral politics. Mr Wilson, a Republican, is running for reelection in November. Mr Davis, a Democrat, is running in the same ballot for the lieutenant governor's office.

This threatens a repeat of the 63 day crisis in 1992 when California had to issue IOUs to pay its employees and suppliers.

Mr Davis said he could not legally issue more conventional short term debt unless he was reasonably convinced that the state was able to repay it. Governor Wilson's budget, he said did not provide a credible basis for such a conclusion.

Besides the failure of the bond issue proposals, Mr Davis said Governor Wilson had also underestimated health expenditures by $2.6bn.

An alternative budget proposal circulated by Democrats in the legislature would cut some prison and law enforcement spending and extend a temporary income tax surcharge on families with incomes above $300,000.


South Koreans in a Seoul railway station watch a broadcast of North Korean president Kim Il-Sung's meeting with former US president Jimmy Carter yesterday Reuter

Compromise on US banking bill

By George Graham

The US Treasury said it had resolved one of the issues holding up passage of an interstate banking bill, but banking officials warn that negotiators are still deadlocked over its application to foreign banks.

Bank officials said they believed the bill, which would allow banks to open branches outside their own states, could become law as early as the end of this month, and would certainly be passed before Congress breaks up in August.

Treasury officials said they had reached a compromise on Thursday night with consumer groups on the extent to which state laws would apply to banks availing themselves of the the bill's new freedoms.

Interstate banking bills have been passed by both the Senate and the House of Representatives, but delegates from the two chambers are now locked in negotiations on how to reconcile the differences between their two versions.

Under the compromise, state laws on consumer protection and fair lending would generally apply to branches of an out-of-state bank just as they do already to a bank incorporated inside the state. They would not, however, apply if federal laws specifically pre-empted them or if the Comptroller of the Currency, the chief bank regulator, determined that they discriminated against out-of-state banks.

Banking experts and congressional aides said agreement was still a long way off on the issue of foreign banks.

The Senate version of the bill would restrict foreign banks from opening new branches in the US unless they operate through a separately incorporated subsidiary with its own capital. While some foreign banks have such subsidiaries, many have opened branches depending directly on the parent company.

Foreign banks argue this would be a breach of the principal of national treatment.

In a strongly worded letter to the House banking committee and the Treasury, Mr Andreas van Agt, the European Commission's ambassador in Washington, warned that the Senate version "might prejudice the important principles of national treatment and freedom of investor choice..."

Mexico's Chiapas peace commissioner resigns

By Ted Bardacke in Mexico City

Mr Manuel Camacho Solís, the Mexican government's peace commissioner in Chiapas, has resigned from his post and temporarily retired from politics, less than a week after Mayan Indian rebels in the southern Mexican state rejected a peace plan Mr Camacho had negotiated with them.

Mr Camacho had been directing Mexico's efforts to find a peaceful end to a peasant uprising that broke out on January 1 in the impoverished state near the Guatemalan border.

Mr Camacho launched a blistering attack on Mr Ernesto Zedillo, the candidate of his own ruling Institutional Revolutionary Party (PRI) saying recent criticism Mr Zedillo had made of his peace efforts had hurt his ability to continue and damaged the peace process.

"At the very moment in which we had achieved...a consolidated truce in Chiapas, a vote of censure has been expressed with regard to my work, and every resource has been used to broadcast it," Mr Camacho said of Mr Zedillo's repeated statements that the peace negotiations had been a "failure."

The rebels want to spur a democratic transition in the country, while the government is increasingly treating the conflict as a local one. Mr Salinas reiterated yesterday efforts to deal with the problem would now be handled by the Chiapas state government.

Widely believed to harbour presidential ambitions ,Mr Camacho angrily resigned as mayor of Mexico City last November after being passed over by President Carlos Salinas de Gortari in favour of the late Luis Donaldo Colosio as PRI presidential candidate in *elections to be held in August.*

He recently joined a group of private intellectuals and politicians seeking to push for greater democracy and to promote stability after the elections expected to be the closest in recent Mexican history.

Mr Camacho pledged not to participate in any political activities until Mr Salinas' presidential term ends in December. While this seems to end the possibility of an independent presidential candidacy an idea he has toyed with since being passed over some analysts believe he may still present himself as an interim consensus president if the existing candidates fail to win a healthy majority.

Coca-Cola returns to S Africa

By Mark Suzman in Johannesburg

The Coca-Cola company yesterday announced plans to reopen its South African operations, eight years after it disinvested from the country.

The group will establish a Southern African division office in Johannesburg later this year and purchase National Beverage Services, the South African company which now provides marketing, technical and other support to local Coca-Cola bottlers.

The new office will have responsibility for regional marketing in Namibia, Lesotho, Swaziland and Botswana.

The price of the proposed Nathev purchase has not been disclosed and is subject to final approval from the South African Reserve Bank.

Coca-Cola products, currently sold through independent bottling franchises in South Africa, make up about 75 per cent of annual domestic carbonated soft drink sales of R3.5bn (£648m).

However, the market has recently become more crowded, and Coca-Cola's announcement comes only a week after arch-rival PepsiCo decided to return to South Africa in a joint venture with black businessmen.

Coca-Cola has said it too will try to accelerate black empowerment through affirmative action, a management development programme, encouraging black suppliers and participating in educational schemes.

DTI 'tried to block pensions white paper'

By Norma Cohen,
Investments Correspondent

A white paper on occupational pension reform is to be released next week following resolution of a dispute between two government departments on the potential cost to employers of the reforms.

Industry sources said the Department of Trade and Industry had intervened to block the release last week of the Department of Social Security's white paper, which proposes legislation which requires pension schemes for the first time ever meet minimum solvency standards.

The paper is expected to require that from April 1997, all schemes have enough assets to meet minimum solvency standards. Those that do not will have until April 2002 to add additional funds.

A DSS study of 500 company pension schemes found that 86 per cent would meet the proposed minimum solvency test. But the 14 per cent of schemes which do not meet the proposed standards include a significant number of large pension funds.

The DTI became concerned over the costs to industry – the study showed that meeting the new solvency standards would cost industry between £1bn and £2bn because employers had not been putting enough cash into their schemes.

The DTI was also concerned that the effect of the minimum solvency standards would be to encourage pension schemes to sell equities and buy UK gilts, hitting the stock markets.

The white paper follows recommendations from a government-appointed panel, the Pension Law Reform Committee, chaired by Professor Roy Goode. The Goode Committee had recommended that each scheme be required at all times to have "cash equivalents" – at least enough assets to provide each member with his or her full benefits earned retrospectively if the scheme were wound up immediately.

The industry objected, arguing that this would force schemes to dump equities for lower-yielding gilts and drive up the costs to employers of providing pensions. The Institute of Actuaries and the Faculty of Actuaries proposed a compromise which would allow schemes to take greater account of returns on equities when calculating "cash equivalents".

Sources said that the DTI had backed down after it became convinced that the Goode Committee solvency standard had been watered down so far that any further weakening would in effect mean abandoning the measure.

Research for the DSS also suggests that the UK stock markets would be unaffected by changes in investment strategy as fund managers adapted to the new standard. The research suggests that fund managers were likely to reduce holdings of foreign equities and increase their purchases of UK government index-linked gilts.

Heseltine eager to keep DTI post

By David Owen

Mr Michael Heseltine insisted yesterday that he wanted to remain in his present post as trade and industry secretary and not succeed Sir Norman Fowler as Conservative party chairman.

"My interest is in being president of the board of trade – everybody knows that," Mr Heseltine said. "I think there have been too many changes in this department over the course of the last years and my interest is in staying where I am."

Mr Heseltine's reluctance to move is thought to stem partly from a desire not to tie his own fortunes too closely to those of Mr John Major, in effect scuppering his remaining hopes of becoming prime minister.

Speculation about Sir Norman's successor has mounted since Thursday when he announced his intention to step down at the time of the reshuffle.

Yesterday's suggestion that Mr Heseltine should succeed came from Mr Kenneth Baker, a former chairman and cabinet minister.

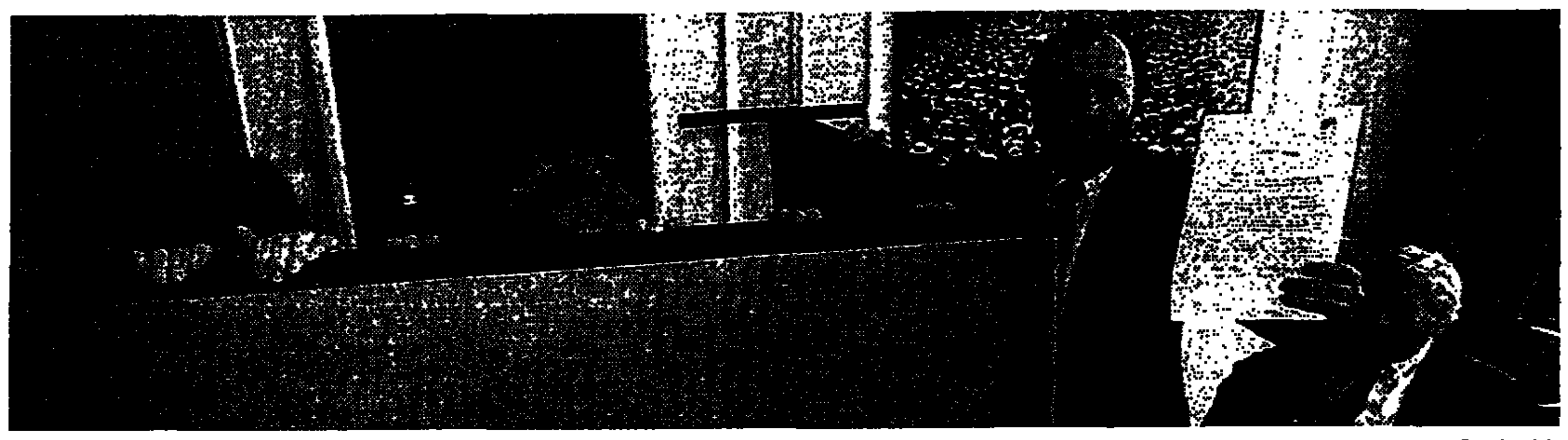
"What is needed now is a wartime chairman," Mr Baker said. "He has to be a street fighter, he has to be combative and he has to be a drum major. The one who most fills that role certainly would be Michael Heseltine."

Mr David Hunt, employment secretary, is the favourite to succeed Sir Norman after a year in which he has won widespread plaudits for his confident campaigning style.

But many Tory backbenchers nursing inadequate majorities see Mr Heseltine as a better bet to minimise casualties in the next general election. Labour's strong performance in last week's European elections will probably have reinforced these views.

Other possible contenders include Mrs Virginia Bottomley, the health secretary, and Mr Tony Newton, leader of the Commons.

Sir Norman said yesterday that his successor would need "the qualities of a Sherman tank".



Press Association

Union intelligence briefing: three sacked MI6 cleaners keep their heads down behind a screen as TGWU national secretary Jack Dromley explains their case

Cleaners, the spooks and the union mission

By Robert Taylor,
Labour Correspondent

Three cleaners working for the MI6 intelligence service were unmasked yesterday amid scenes worthy of an Ealing comedy at the Ernest Bevin room of Transport House, the London headquarters of the TGWU general union.

The cleaners, all women, were at a press conference organised to complain about their sacking by the Foreign Office for refusing to accept a pay cut. To ensure anonymity, the women were hidden behind screens. Mr Jack Dromey, the TGWU national officer, claimed that they would face instant dismissal under the Official Secrets Act if they were identified, and lose their redundancy payments. But during the press conference the screens fell down – narrowly missing a ceremonial mace from the 1889 dock strike – and the three women faced the glare of the media cameras.

Mr Dromey said 47 cleaners had been forced to sign a "gagging order" promising not to speak to the press about their complaints. Yesterday the women did not hold back in attacking Mr Douglas Hurd, the foreign secretary, over the loss of their jobs.

Many of the women, who have been positively vetted, have worked for MI6 for 30 years. Their jobs were subjected to market-testing to see if they could be done more cheaply by contractors. Mr Hurd, in a letter to two Labour MPs, said the cleaners were found to have "rates of pay and allowances above the market rate".

Strand Cleaners has won the contract to clean the MI6 offices when the intelligence organisation moves this summer to a new building at Vauxhall Cross, south London. The hourly rate for cleaners is to be cut from £4 to £3.50, with a reduction in holiday entitlement and sick pay.

One woman who worked for MI6 for 19 years said she stood to lose as much as £1,200 if she complained about her treatment and was identified. Another said the cleaners had been "victimised just to save money". All said they were patriotic, law-abiding women who had been unfairly treated.

The Foreign Office said that the government had acted within both UK and European law over the market-testing.

Talks on rail dispute planned

Both sides in the rail signalling dispute are due to meet today for joint negotiations at the conciliation service Acas in an attempt to prevent a further 24-hour shutdown of the network on Wednesday, Robert Taylor writes.

The RMT union said last night that it hoped to resolve the dispute over the weekend but added: "There is still a wide gulf between us."

The union wants an interim pay offer for the signalling staff before entering job restructuring talks with Railtrack. Its claim is for an 11 per cent pay rise. It has been offered a 2.5 per cent basic rate increase for all employees in line with the government's public-sector pay policy.

Railtrack said it was willing to negotiate a self-financing package for the signalling staff in return for higher productivity but refuses to concede any "up-front" payment for past improvements in efficiency.

It said: "The process of discussion is now obviously back on the tracks and we hope the ball keeps rolling."

National Savings net receipts fall

National Savings' contribution to government funding fell again last month to £424m including £158m from accrued interest. This compares with £554m in April. Net receipts in May were £266m with gross sales of £985m being offset by repayments of £719m.

The highest-selling product was the Pensioners Bonds at £248m, although £65m of this was transfers from income bonds. Premium bonds were the next best-selling product at £153m. The total amount invested in National Savings at the end of May was £49.4bn.

Six in Monklands by-election fight

Six candidates are to fight the Monklands East by-election on June 30, caused by the death of Labour leader John Smith, who had a majority of 15,712 over the Scottish National party in the 1992 general election.

They are: Helen Liddell, Labour; Kay Ullrich, SNP; Susan Bell, Conservative; Stephen Gallagher, Liberal Democrat; Duncan Paterson, Natural Law party; and Abi Bremner, Network Against the Criminal Justice Bill.

Seven accused of power meter 'fraud'

Seven men have been charged after an investigation into alleged large-scale gas and electricity thefts, Northumbria police said yesterday.

The investigation followed allegations of homes and small businesses in northern England and Scotland being supplied with equipment to interfere with gas and electricity meters. Police said the seven had been charged with conspiracy to defraud.

Boost for failed holiday company

The Civil Aviation Authority yesterday told administrators trying to sell Sunseeker Leisure, the collapsed holiday company, that it would speed up any application for an Air Travel Operating Licence, which normally takes six months to obtain.

Huddersfield-based Sunseeker, which specialised in packages to the Mediterranean, collapsed a week ago.

Beckett calls for return to picketing

By David Owen and Ivor Owen

LEADERSHIP CONTEST

Mrs Margaret Beckett yesterday sought to enhance her appeal to Labour traditionalists by calling for the return of secondary picketing as part of a root-and-branch reform of union law.

In a move which infuriated supporters of the other two Labour leadership candidates, Mrs Beckett broke with party policy, calling for laws allowing a "sensible, workable and fair" approach to picketing.

Coming less than 24 hours after the left-led TGWU general union recommended her for the leadership, Mrs Beckett's move looked set to enliven the current contest, putting daylight between the candidates on a specific policy issue for the first time.

Mr Tony Blair, the favourite to succeed John Smith, this week rejected the notion that all union legislation passed by the Conservatives since 1979 should be scrapped, saying he did not think it would be "sensible".

Mr John Prescott, the leading traditionalist candidate, has pledged to work for the repeal of sections of Tory legislation without being specific.

Interviewed on BBC radio, Mrs Beckett said that a sensible approach to secondary picketing was needed to ensure workers were not treated "without any regard for reasonable industrial rights which would be enjoyed anywhere else in Europe".

She said there "could well be a need just to sweep the board clear and start again, keeping those elements of existing legislation which people thought it was right to retain".

She added: "There are things many unions would want to see retained – some of the methods of balloting and so on – but sometimes when you are trying to replace legislation you can't do it bit by bit, you have to have a new act and it may well be that is the right path to follow."

Supporters of Mr Blair and Mr Prescott accused Mrs Beckett of pandering to her backers in the TGWU.

In a move more in keeping with the general trend among unions, the Unison public services union decided against recommending any of the candidates. It said it had agreed "strongly to encourage" all levy-paying members to exercise their own judgment.

Mrs Beckett's remarks were seized upon by leading Conservatives who claimed they showed Labour was in disarray about its union policy.

Sir Norman Fowler, the outgoing Tory chairman, said Mrs Beckett's decision to "let the cat out of the bag" had left Labour in "a total shambles".

He was supported by Mr Tim Sainsbury, industry minister, who told MPs that Mrs Beckett's backing for a return to secondary picketing suggested that a Labour government under her leadership would recreate the industrial problems of the 1970s.

Prince of Wales set to pay income tax of £1m

By Vanessa Houlder,
Property Correspondent

The Prince of Wales is expected to pay about £1m in his first tax bill since he volunteered last year to pay income tax.

The prince will pay 40 per cent of the revenues of the Duchy of Cornwall, which totalled £4.06m in 1993, after deducting the costs of his official duties.

The details of his tax returns have not been finalised, but the total is expected to be similar to the sum arrived at under the former system when he voluntarily surrendered 25 per cent of the duchy's total income.

The duchy's accounts, which were published yesterday, showed that net income for the year had increased from £3.41m to £4.06m. The value of the duchy's assets increased from £76.2m to £87.7m.

Income from farmland and property was £9.1m, compared with operating costs of £5.6m. The high operating costs stemmed from the wide geographical spread of holdings and higher-than-average maintenance standards.

Another £1.05m of income came from stockmarket investments, offset by a £1.05m interest charge that stemmed from acquisitions of commercial property in the late 1980s.

The Duchy of Cornwall was created in 1337 by Edward III for the Black Prince to provide an income for the heir to the throne.

It comprises 130,000 acres of agricultural land, mainly in the south-west of England and the Isles of Scilly, a residential and property portfolio, and a £40m quoted investment portfolio which is invested in environmentally sound companies.

The duchy said it aimed to be efficient, forward-looking and commercially sensible, while seeking to respond to the interests and concerns of the Prince of Wales, particularly those of planning, the environment and architecture.

The Prince of Wales' advisers are finalising his tax return with the Inland Revenue.

All expenses connected with official duties, including the running of his 62-strong office, entertainment and uniforms, are allowable against tax.

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Results adverts 'incomplete'

Companies' disclosures challenged

By Andrew Jack

Quoted companies are exploiting regulatory loopholes to present their financial results in the best possible light, according to a report published yesterday by the Institute of Chartered Accountants in England and Wales.

Most advertisements placed in the financial press to record a company's performance do not comply with London Stock Exchange disclosure requirements, it found.

The details are contained in a survey by Mr Roger Hussey and Ms Sarah Woolfe, of the University of the West of England, published yesterday by the institute's research board.

Less than three-quarters of companies revealed their turnover and just over a third showed their tax charge in results advertisements placed in the Financial Times in 1992.

Publication of these and another dozen elements are required by stock exchange listing requirements if the results advertisement is the only way the data is passed on to shareholders. There are no requirements as to which numbers are shown if the company separately sends out this full information in a report to all shareholders.

With the exception of the large privatised utilities, most companies do send out this separate report, so they are not breaking the law. But they are only presenting highly selective information which often shows their results in a favourable light.

"Results advertisements have to be read with extreme caution," said Mr Hussey, professor of financial services. "There are mostly advertising the company. Their information value is limited."

The authors highlight a wide degree of variation in the time lapse between the date of the financial results and the date of their publication.

They recommend that companies should provide greater balance-sheet information, and that cashflow data at the half-year stage should be made compulsory.

Interim statements and preliminary profit announcements. Research Board, Institute of Chartered Accountants in England and Wales, PO Box 433, Chartered Accountants Hall, Moorgate Place, London, EC2P 2BJ. £15.

Britain's large industrial and commercial companies improved their short-term liquidity positions in the first quarter of this year as they used the proceeds of share and bond issues to build up current financial assets and repay bank borrowings, Peter Norman writes.

Seasonally adjusted figures from the Central Statistical Office yesterday showed that the overall liquidity ratio of large UK companies increased to 144 per cent at the end of March from 133 per cent at the end of December and 107 per cent at the end of March last year.

The ratio measures current assets maturing in less than a year as a share of liabilities that have to be repaid in less than a year. It is based on a survey of 350 of Britain's biggest companies and gives an indication of the short-term financial strength of the large-company sector.

Non-manufacturing companies, including oil companies, were especially flush with liquid assets: their liquidity ratio jumped to 175 per cent at the end of March from 159 per cent at the end of last year and 129 per cent at the end of March last year.

Nimbies winning battle for Berkshire

Builders are watching planning policy in a politically sensitive shire, says Andrew Taylor

The leafy county of Berkshire, home of Royal Ascot and Windsor Castle, this summer finds itself at the centre of yet another planning wrangle. The outcome may determine how government intends to respond to demands from housebuilders to be allowed to develop in politically sensitive shire counties.

Prospects for builders seeking to expand output sharply in some of Britain's most valuable real estate markets do not appear bright judging by recent policy statements by the Department of the Environment.

The 1991 Planning and Compensation Act, supported by planning guidance notes from the department, allow county and district councils much greater authority to determine local needs and plans. The department's strategy was to ease pressure on diminishing countryside by encouraging greater use of urban land.

Importantly it reversed government policy of the 1970s and 1980s which had assumed a *presumption* in favour of housing development to meet the growing demand for homes in *southern England*.

The pro-development attitude reached its peak during the mid-1980s when the then Nicholas Ridley, as environment secretary, seized on the acronym Nimby (not-in-my-backyard) to attack local residents for trying to prevent newcomers from living and working in their area.

In July 1989 Mr Ridley approved the construction of a country town of 4,800 homes called Foxley Wood at Bramshill Forest, in north-east Hampshire. The proposal was made by Consortium Developments, a group of 10 of the country's largest housebuilders. Three months later this decision was reversed by a new environment secretary, Mr Chris Patten, now Hong Kong's governor.

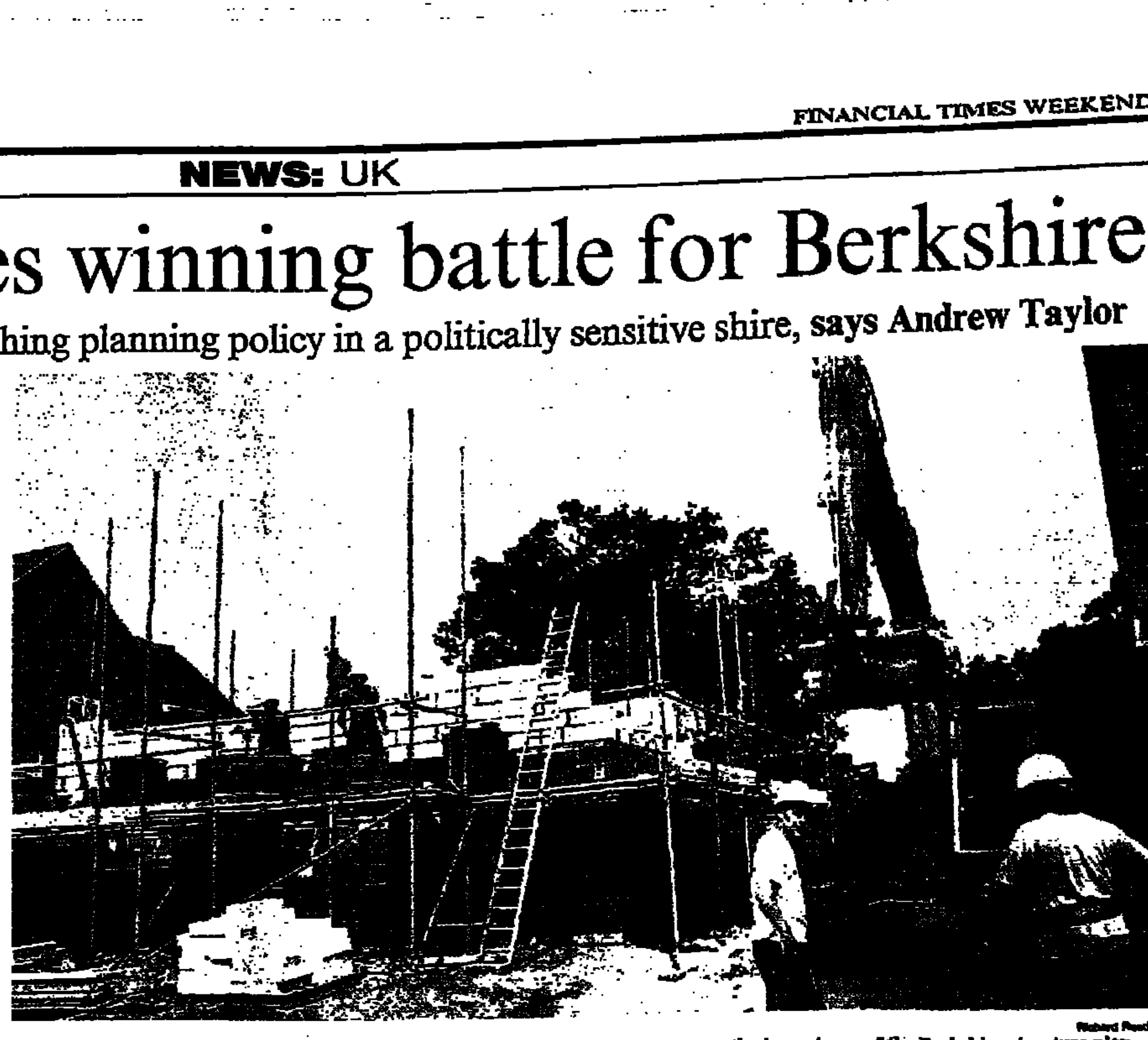
For many of the post war years, the main measure used by successive governments of the effectiveness of their housing policy had simply been to calculate the number of homes built annually.

Patten signalled a marked shift in this strategy, announcing that the previous guidance to planners to presume in favour of housebuilding was being withdrawn. He added that it was up to local people through councils, rather than central government, "to decide how and where their [housing] requirements should be met". Within 18 months, Consortium Developments had been disbanded.

The strength of government commitment to this new strategy has never been fully tested. The desire of housebuilders to acquire expensive sites in controversial areas fell sharply during the recession. Only now are ambitious development *plans* beginning to *surface* as the housing market recovers. Hence the importance attached by builders to the final draft of the Berkshire structure plan.

Mr John Gummer, current environment secretary, recently emphasised his commitment to encouraging development in towns and cities. In a policy statement on transport planning he said he wanted to "ensure the vitality of rural areas, so that people who live there do not become long distance commuters". He added: "Housing development needs to be accessible to public transport facilities so that there is an alternative to the car."

Berkshire in the 1980s was the subject of a series of bitter battles between housebuilders, planners, environmentalists and local residents. The latter often complained that they were in danger of being overrun by concrete. At the moment they appear to have the minister's ear.



Richard Reed

Half-built: New developments are surfacing as the housing market recovers – hence the importance of the Berkshire structure plan

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CrossRail revival backed by 130 MPs

By Charles Batchelor, Transport Correspondent

Plans to revive a bill promoting the £2bn London CrossRail project were boosted yesterday when it was announced that more than 130 MPs have put their names to a motion backing the plan.

Mr David Lidington, MP for Aylesbury, said he expected to table a motion early next week calling for the private bill committee to look again at the proposal to build an east-west underground rail link. CrossRail, which has the backing of British Rail and London Underground, suffered a surprise rejection last month when the four-man committee of MPs turned it down.

The route did not include links with the Channel tunnel rail link or the Heathrow Express.

"Replies are still coming in and I am optimistic we will have a lot more names by the beginning of next week," said Mr Lidington. "We have obtained unprecedented cross-party support."

In an unusual move, Conservative whips have given permission for parliamentary private secretaries, who as part of the government "payroll vote" normally do not get involved, to sign the motion. Its backers include seven Liberal Democrat MPs, with the remainder split equally among Conservatives and Labour. Mr Lidington said backing had come from across the country.

Senior figures supporting the motion include Sir Peter Hordern, chairman of the public accounts commission; Mr John Watts, chairman of the Treasury select committee; Sir Cranley Onslow, a former chairman of the 1922 back bench committee; Mr John Prescott, Labour employment spokesman; and Mr Frank Dobson, Labour transport spokesman.

Editor of Independent newspapers agrees to stand down

By Raymond Snoddy

Mr Andreas Whittam Smith, the main founder of The Independent, has agreed to stand down as editor. Mr Matthew Symonds, one of the three founders and executive editor, is expected to leave the group.

Mr Whittam Smith, who is editor-in-chief and chairman of Newspaper Publishing, the company which owns The Independent and the Independent on Sunday, will remain as chairman.

He has made his intentions clear to a number of directors and shareholders of the company. The decision to step down is his own and the timing of the announcement will depend on finding a successor.

Informal soundings have already taken place, and this process is now likely to get under way in earnest. A very long list has already been drawn up and shareholders are being encouraged to add names to it.

The list includes a number of broadcasters with little experience of newspapers such as Mr Jeremy Paxman, the Newsnight presenter, and Mr Roger Mosey, editor of Radio 4's Today programme. Ms Liz Forgan, managing director of BBC Radio – who used to work for The Guardian – is also being mentioned.

The more orthodox names range from Mr Jonathan Fenby, a former Independent journalist who now edits The Observer, and Mr Ian Hargreaves, deputy editor of the Financial Times, to Mr Nigel Wade of The Daily Telegraph and Mr Ian Jack, editor of the Independent on Sunday.

Mr Tony O'Reilly, chairman of H.J. Heinz and of Independent Newspapers of Ireland – who controls 29.9 per cent of Newspaper Publishing – had a further meeting yesterday with Mr David Montgomery, chief executive of Mirror Group Newspapers, which is also a significant shareholder in The Independent.

Ex-FT chief, Page 10

Labour urges tax boost for investment

By Ivor Owen, Parliamentary Correspondent

Mr Jim Cousins, a Labour trade and industry spokesman, suggested in the Commons yesterday that a Labour government should consider using the tax system to encourage companies to limit dividends and increase investment.

While making it clear that he was not advocating statutory control of dividends, he said the government should "steer and guide" through the right kind of changes in existing financial arrangements.

Mr Cousins is one of the few members of the Labour front bench to have nominated Mrs Margaret Beckett for the party leadership.

He criticised institutional and other shareholders for failing to devote enough attention to the development prospects of the companies in which they invested.

He complained that the banks had put more money into property development "in five years of the 1980s" than they had put in to manufacturing industry in 15 years.

Mr Cousins said this could not be corrected by legislation – but a different kind of relationship was needed between businesses enterprises, banks and institutional shareholders.

Mr Tim Sainsbury, industry minister, denied that the government was complacent about the need to encourage allocation of more resources to research and development.

Firms add to receivership debate

By Andrew Jack

Two firms of chartered accountants yesterday added to the criticism of the process by which investigating accountants appointed by banks to examine ailing companies can then take on the role of receiver.

Kingston Smith, the 28th-largest firm, said there was a "clear conflict of interest" and that a negative report from an accountant that led to receivership made it impossible for the firm to remain objective.

The comments followed those on Thursday by Mr John Jackson, chairman of Brown & Jackson, the owner of the loss-making Poundstretcher retail chain. Mr Jackson called the practice "objectionable" and called for an inquiry by the Bank of England and the accountancy bodies.

Mr Michael Snyder, Kingston Smith's senior partner, said: "We have had a number of clients to whom accountants were appointed and played it safe [by recommending receivership]. It has been a real problem."

He said there was a tendency for banks to instruct the largest firms, the investigators from which "are most likely to be insolvency experts with the prospect of a future receivership in their minds".

Mr Snyder said his firm had decided not to conduct any insolvency work because he believed it did not "sit happily" with its work as investigating accountants.

Mr Simon Rees, senior partner of Rees Pollock, said: "There can be a conflict of interest and there is certainly a public perception. It would be advisable if investigating accountants could not be appointed receivers without the directors' approval."

He said there was a tension because investigating accountants were generally paid by directors of an ailing company, but reported to a bank.

However, Mr Derrick Woolf, joint head of corporate support services at accountants Levy Gee, which specialises in insolvency work, said: "We would never get another job from a bank if we recommended receivership when it was not necessary."

Mr Allan Griffiths, vice president of the Society of Practitioners of Insolvency and a partner with Grant Thornton, said receivership was recommended in only a small proportion of investigations.

He added that it would prove very costly and more destructive to a business if its banks had to appoint as its receivers a separate firm which lacked knowledge of the company.

Talks on Severn crossing sackings

By Roland Adburgham, Wales and West Correspondent

Talks between management and unions are due to take place today in an effort to resolve a dispute that has halted work on the £300m second Severn crossing between England and Wales.

More than 700 construction workers, who are seeking higher bonus payments, were dismissed on Thursday when they took part in a 24-hour strike after a ballot. Laing-GTM, the UK/French main contractor, said yesterday that the men had been in breach of contract, but would be invited to reapply for their jobs on Monday under the existing terms and conditions.

Today's meeting will be held with Ucatt, the construction union, and the TGWU and GMB general unions. Mr Graham Read, of Laing-GTM, said: "We've no wish to shut down dialogue with union officials."

A picket line was mounted yesterday outside the site of the privately-financed bridge, which is due to open in spring 1996.

The unions are complaining of low basic pay for work which they say is often skilled, arduous and dangerous. GTM-Laing said existing bonuses were at least compatible with those in other parts of the industry, and that workers had accepted terms and conditions jointly agreed by management and unions on the project.

KPMG 'not told of Walker links'

By John Mason, Law Courts Correspondent

An accountant asked by Brent Walker to review transactions criticised in the press never learnt of close links between the property and leisure group and the other companies involved, an Old Bailey jury heard yesterday.

Mr Philip Hardacre of KPMG Peat Marwick was called to help Brent Walker answer criticisms of the arms-length nature of sales of film rights by Brent Walker's film division to Universal Talent Management.

The prosecution in the trial of Mr George Walker, the former Brent Walker chairman and chief executive, alleges the transactions were part of a fraud to boost Brent Walker's profits by £19m.

Mr Walker and Mr Wilfred Aquilina, a former Brent Walker finance director, both deny charges of theft, false accounting and conspiracy. Mr John Quested and Mr Donald Anderson, both former directors of the Brent Walker film division, are alleged to have been co-conspirators.

Giving evidence, Mr Hardacre said he discussed the transactions *with the four* men, but did not become aware that UTM's bank account was controlled by Mr Quested and Mr Anderson. Nor did he know that some of the money paid by UTM would be refunded by Brent Walker itself. The trial continues on Monday.

Committee investigation of CSA widens

By James Blitz and David Owen

The Commons social security committee is widening the scope of its inquiry into the Child Support Agency amid mounting concern about the organisation's structure and competence.

The committee, which began taking evidence this week, had intended to examine possible changes to the formula by which absent fathers make maintenance payments to their families.

But MPs on the committee are to undertake a "root-and-branch" examination of its structure. One committee member said: "The focus is moving away from the operation of the formula to the competence and efficiency of the CSA itself."

The government has repeatedly said that it is keeping the operations of the CSA under constant review, amid signs that officials are increasingly swamped by complaints from absent fathers about the level of maintenance payments.

But the widening of the social security committee's inquiry is another sign that pressure is mounting on ministers to introduce primary legislation reforming the CSA in the next session of parliament.

Most of the committee's recommendations from their first report into the CSA, published last year, were implemented by the government. Ministers privately acknowledge that the committee's next report, due in October, will be examined for its insights.

An official at the Department of Social Security acknowledged this week that some reforms would need primary legislation.

For example, changes to the principle whereby "clean break" settlements between divorced couples cannot be offset against maintenance payments, would require a parliamentary bill.

One of the factors which has heightened the committee's concern is what one Tory described as an apparent "breakdown" in the CSA's system of enforcement.

He said there appeared to be a "concerted campaign not to pay maintenance on behalf of absent parents". But he warned: "Absent parents are not going to get away with it . . . There is an absolute determination in the committee and the government that absent parents shall pay a realistic amount of maintenance."

The committee is also worried by growing evidence that neither the CSA's first annual report nor its business plan will be published in this parliamentary session.

NEWS: UK

Devonport dockyard to make 850 redundant

By Bernard Gray

Devonport Management, which operates the Devonport Dockyard in Plymouth, said yesterday that 850 workers are to be made redundant.

Four hundred of the job losses are to reduce overheads in support operations. The remaining 450 jobs will go because the yard has insufficient work on surface ships to maintain the workforce.

Yesterday's announcement follows the loss of 1,000 jobs yesterday at two other military sites in the south-west – RAF Chivenor in Devon and the Royal Navy Engineering College, also in Plymouth.

Mr Peter Whitehouse, Devonport's business development director, said the decision to allocate a large body of surface-ship refit work to Rosyth in Fife had left Devonport short of surface-ship work. He added that the company was dependent on winning the refits of HMS Birmingham and HMS Cornwall next year to maintain the reduced workforce of 3,500.

Devonport said it could not rule out compulsory redundancies because it needed to maintain high-tech skills in refitting ships and nuclear submarines. "We are approaching a critical mass below which we will be unable to retain the capacity for surface refit work," added Mr Whitehouse.

Dr David Clark, shadow defence secretary, condemned the job losses and called on the government to plan defence expenditure so that companies had time to adjust to the reduced work available.

"There is a lack of co-ordination which means that managements cannot plan their businesses," he said. "The government has exacerbated a difficult situation by leaving defence cuts to the market."

He said there was worse to come when the defence cost review is completed in July. "Some 25,000 jobs will go when the Front Line First cuts are completed," he added.

Mr Jack Dromey of the TGWU general union called on the government to support conversion of naval dockyards to civilian work. He added: "The markets are out there, the only question is whether it goes to Britain or our competitor yards in the US or the Pacific Rim."

Devonport insisted that it had tried to win civil work, including the 12 British Steel Challenge yachts, and that 20 per cent of its work now came from non-naval work. But it added that the markets were very competitive and slow to build up.

Mr Dromey said the dockyards were shedding labour while the Ministry of Defence was prepared to pick up the costs before they are privatised in 1996.

The MoD said that commercial decisions on the workforce in the dockyards was a matter for the managements involved.

Approval for Swans bidder delayed

By Chris Tighe

The French-owned company which wants to buy Swan Hunter has still not been approved by the Ministry of Defence as a suitable contractor, with only weeks to go before the MoD's award of a refit on which the Tyneside shipbuilder's survival hinges.

Mr Jonathan Aitken, defence procurement minister, said yesterday that negotiations between Constructions Mécaniques de Normandie and the MoD on the transfer of Swans' remaining frigate contract to CMN were continuing.

Swan Hunter went into receivership in May last year after failing to win an MoD order for a helicopter carrier. CMN is the only potential bidder for Swans as a going concern, but the deal is conditional on Swans winning the 18-month refit of the landing ship Sir Bedivere. It faces keen competition from other UK shipyards and naval dockyards. Receivers Price Waterhouse have said that if Swans does not win Bedivere, closure of the company and the piecemeal sale of its assets looks likely.

Mr Aitken's confirmation of continuing negotiations with CMN came in a Commons written answer to Mr Steve Byers, Labour MP for Wallsend.

Mr Byers said it was still unusual for a foreign company to be allowed to do MoD work. "A degree of caution is understandable, but they've had a long period to arrive at a conclusion and the delay is causing concern," he said.

Mr Fred Henderson, bid-team leader for CMN, said agreement on the transfer of the frigate contract, discussed since March, had been reached with MoD officials on June 1, but ministerial approval was still awaited.

He dismissed as "completely, absolutely and totally untrue" suggestions in a Commons question tabled by Mr Keith Hampson, Tory MP for Leeds North West, that Triacorp, a company controlled by CMN's majority shareholders, could have business links with the regime of Iraqi leader Saddam Hussein.

On Thursday, Mr Henderson and Mr Iskandar Safa, part of the Christian Lebanese Safa family which owns most of the shareholding of Triacorp and of CMN's parent company Sofia, met MPs to rebut any suggestion of Iraqi links.

Mr Safa said yesterday that he had acted as a marketing adviser to arms manufacturers in the Middle East, but not in Iraq. "There have never been links and there are no links," he said.

Goodwood switches to horsepower

A new motor racing festival plans to bring back a bygone elegance, reports John Griffiths

"Glorious Goodwood", the cliché title of one of the main events on the horse racing calendar, is acquiring a double meaning for Goodwood Company Estate, the family-run company which controls commercial activities on the Duke of Richmond and Gordon's 12,000 acres of West Sussex.

This weekend the Duke's heir Charles, Earl of March and Kinrara, is turning the estate over to motor sport, for which it was once as famous as Silverstone in Northamptonshire is now.

The "festival of speed" includes an auction of racing and classic cars, with the international classic car market looking for a turnaround in prices since the start of the slump in 1989.

The festival also includes a hill-climb, with 130 cars racing against the clock near Goodwood House, intended to recreate the elegant social atmosphere of early post-war motorsport – "racing's equivalent of Ascot or Henley", according to Mr Robert Brooks, the Brooks auction house principal helping to organise it.

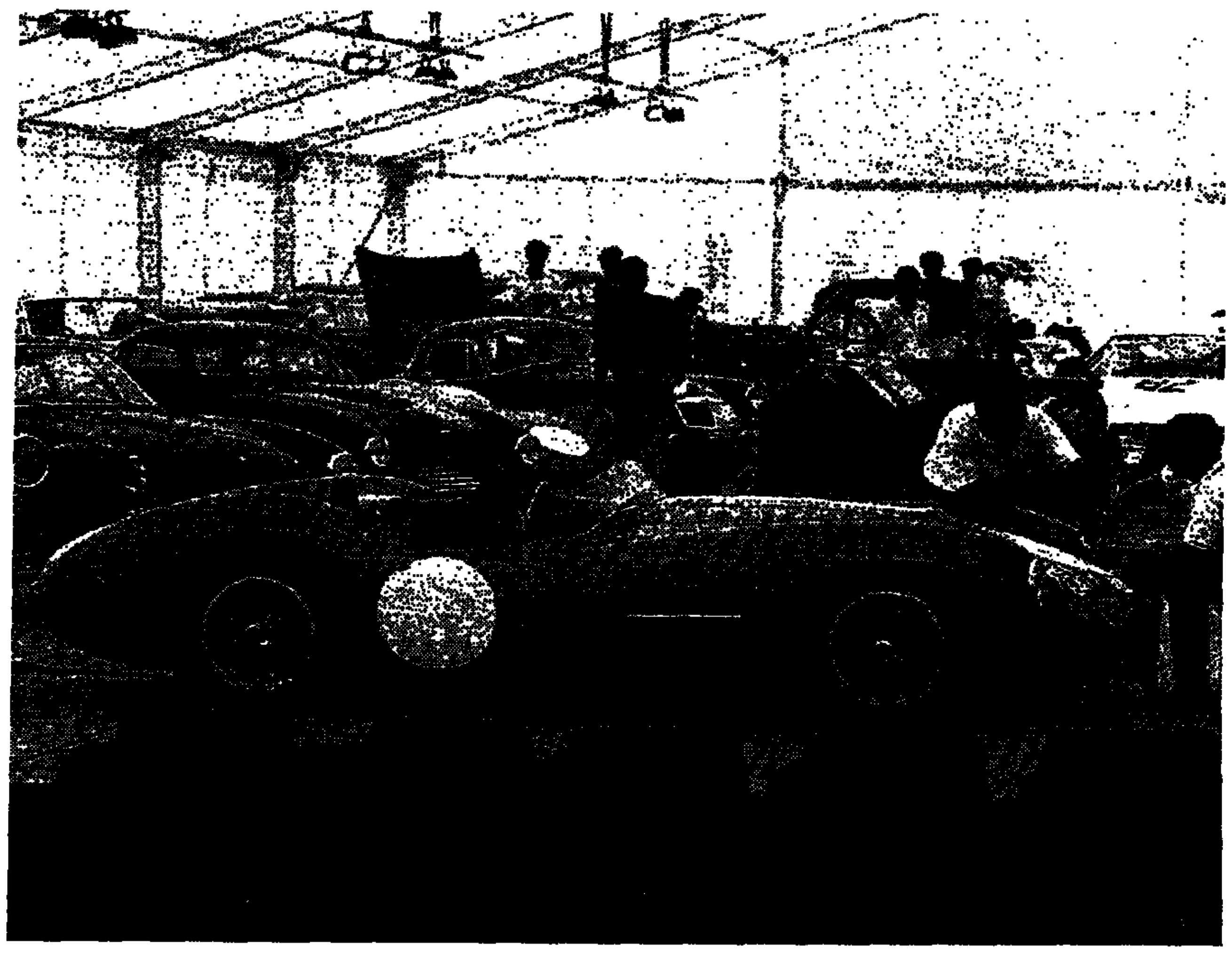
The estate is poised to embark on a more ambitious project – to bring back competition to the nearby Goodwood motor racing circuit. The circuit, which also contains an airfield, is used for testing and high-speed driving courses.

The £5m project, which includes a new museum of motor racing, will create 300 jobs and provide an economic stimulus in this mainly rural corner of southern England.

The proposals have met with some protests, mainly from a private housing development near the circuit. In response, the number of proposed race days has been cut and Glasgow-based Acoustic Services is to install acoustic barriers around the circuit to prevent excess noise spilling into the countryside.

The plans have won provisional approval from Chichester's environmental health committee and the formal planning application was submitted two weeks ago.

Goodwood Aerodrome and Motor Circuit, an estate company subsidiary, has proposed three motor racing meetings a year, starting in 1996, featuring Aston Martins, Le Mans Jaguars, Ferraris and other historic motors mainly owned and driven by wealthy enthusiasts.



Tony Andrews

Stirling service: a top auction price is expected for the 1957 Aston Martin DBR2/1 two-seater car driven at Le Mans by Stirling Moss

At least 25,000 people are expected for this weekend's festival, which is expected to involve the most valuable collection of classic and modern racing cars ever to compete in a single motorsport event. Several dozen of the 130 competing cars have previously been sold for more than £1m.

A pointer to what many might be worth now is expected tonight when one of the world's most famous racing cars – the 1957 Aston Martin DBR2/1 driven at Le Mans by Stirling Moss – goes under the hammer.

It is expected that prices of the nearly 100 cars being auctioned will reflect a cautious strengthening since the spring.

Stirling Moss, whose own career was cut short in a 140mph crash at Goodwood, will be one of the celebrities driving in the event, as well as McLaren grand prix team owner Ron Dennis, and entertainer Rowan Atkinson. The festival will mark the 100th anniversary of competitive motor sport.

Competing cars flown in from around the world range from a 1894 Peugeot Vis-a-Vis, to the latest, grand prix cars.

ITV quits race to televise lottery

By Raymond Snoddy

ITV yesterday withdrew from the contest to televise the National Lottery – blaming the Independent Television Commission's interpretation of the rules.

The withdrawal may have involved an element of face-saving; Camelot, the consortium which won the right to operate the National Lottery, had made clear it would probably prefer to work with the BBC. It is holding detailed talks with the corporation and an agreement is expected by the end of this month.

ITV put together a comprehensive package to try to win the high-profile broadcast. It included the promise of promotion for the lottery throughout the ITV system, making top ITV stars and shows available for the draw, a two-year contract, a payment of more than £2m and the promise to share exclusivity with independent local radio or even BBC radio.

However, ITV could not meet one of Camelot's specifications. In addition to the main multi-million pound lottery draw on Saturday evenings, Camelot wants a mid-week show with winners of scratch-card prizes taking part in a quiz show with big winnings.

The commission ruled that ITV must retain editorial control – meaning that it must be able to choose the contestants.

Mr Andrew Quinn, ITV Network Centre chief executive, said yesterday: "ITV made a very attractive offer to Camelot, and we are naturally very disappointed that ITC regulations prevented us from proceeding further."

The timing of the ITV announcement, before an agreement with the BBC has been signed, could affect the terms of the deal.

ITV is still expected to cover the results of the lottery – which is due to be launched in November. As soon as the winning numbers are chosen they could be broadcast along the bottom of any ITV programme on at the time.

Bedfordshire may be split

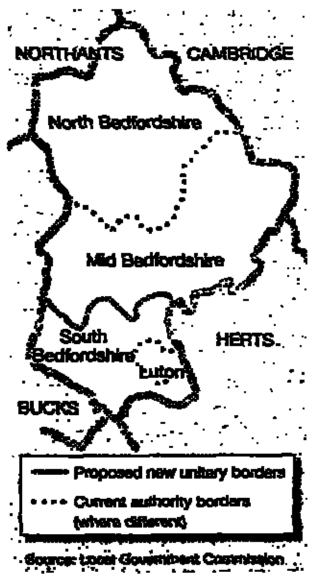
By John Authers

Bedfordshire yesterday became the eighth county in the space of a week to be recommended for abolition by the Local Government Commission for England.

The commission recommends replacement of the two-tier system of local government for the county – a county council and four lower-tier district councils – by two new all-purpose unitary authorities, with boundaries created by merging existing districts.

These would be North Bedfordshire, merging Bedford borough with Mid Bedfordshire District Council, which includes Biggleswade, Flitwick and Sandy, and South Bedfordshire, formed by a merger of Luton borough with South Bedfordshire District Council, including Dunstable and Leighton Buzzard.

The commission says this option would cost between £9m and £12m to start up, with annual savings thereafter of between £1m and £4m.



Source: Local Government Commission

A second preference from the commission would split Bedfordshire into three unitary authorities, with Luton and Bedford becoming independently self-governing, and Mid and South Bedfordshire merging to form a third unitary. The commission believes this would save £1m per year at most.

A final option would be to create a unitary authority for Luton alone and merge the other three districts.

In a departure from its practice in most of the recommendations of the past week, the commission, chaired by Sir John Banham, has not left continuation of the two-tier status quo as an option for local residents to consider.

A nine-week consultation period will now start, with freepost questionnaires sent to every household in the county, asking people to state their preference between the options.

This week, Berkshire, Buckinghamshire, Cambridgeshire, Cheshire, Cumbria, Lancashire and Oxfordshire county councils have all been recommended for abolition, after similar recommendations earlier in the year for Avon, Cleveland, Humberside, North Yorkshire, and Somerset.

Ulster agreement late, says Spring

By Tim Coone in Dublin

A framework agreement on new constitutional arrangements for Northern Ireland is unlikely to be completed in time for next month's UK-Irish summit, Mr Dick Spring, the Irish foreign minister, said yesterday.

Talks between the political parties in the province are not expected to resume before the autumn because of slow progress by the British and Irish governments in drafting the framework document, which is intended to provide a focus for the talks.

The governments had hoped to publish the document to coincide with a planned bilateral summit next month, but following a meeting of the UK-Irish inter-governmental conference in Dublin yesterday, Mr Spring admitted it would be "difficult to meet that timetable".

Sir Patrick Mayhew, the Northern Ireland secretary, said the framework document, which will flesh out the principles established in December's Dowing Street declaration, would not be "a blueprint or template" to which the parties would have to conform.

But he stressed that it would have to address modification of the Republic's territorial claim to Northern Ireland "if it is to have any chance of success" in bringing unionists to the negotiating table. "It is central to the problem," said Sir Patrick.

Mr Spring said: "There has to be compromise on both sides, by both governments." Modification of the territorial claim would be in the context of a "balanced accommodation" which would also involve modifications to the Government of Ireland Act of 1920.

He referred specifically to Section 75 of the act, which states: "The supreme authority of the parliament of the United Kingdom shall remain unaffected and undiminished over all persons and things in (Northern) Ireland and every part thereof."

Sinn Féin, the political wing of the IRA, has indicated that it intends to give its "definitive response" to the Downing Street declaration early next month – but is not now expected to recommend an end to the IRA campaign.

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A cautionary double act

The bankers and merchants of the City of London witnessed another outbreak of prudence at the Lord Mayor's Mansion House dinner this week. The chancellor, Mr Kenneth Clarke, warned that there would be no tax cuts before government borrowing was under control, and no return to boom and bust. For his part the governor of the Bank of England, Mr Eddie George, declared that interest rates would have to rise in due course to moderate the pace of expansion. Yet the markets remain largely unconvinced by this prudential double act.

While short-dated gilts fell the following day in response to the interest rate warning, long gilts, which might be expected to take cheer from declarations of fiscal and monetary rectitude, also went into retreat. Cautionary rhetoric will not be enough, it seems, to make a big dent in the cost of servicing a £38bn borrowing requirement, equivalent to 5½ per cent of GDP. Actions, not words, nor indeed a surfeit of bonds, are what investors want to see.

At first sight, threats of a rise in short-term rates might seem premature. As Mr George himself pointed out, though GDP is growing at the rate of 2¾ per cent, the economy is still operating below capacity. Retail prices on the official measure of underlying inflation have increased by only 2½ per cent on the year, or 1¾ per cent if indirect tax increases are excluded. And the latest economic data offer further good news on the inflationary front.

The biggest recent worry has been the 4 per cent increase in earnings recorded in the year to March. This week's figures for the year to April showed a reassuringly slower increase of 3¾ per cent. Growth in retail sales, meantime, appears to have levelled off in May. Also striking, and possibly with a bearing on the retail sales picture, is the sluggish behaviour of the housing market.

House sales

By historic standards houses are now cheap in relation to earnings. Prices have unquestionably picked up over the past 12 months, as has the volume of transactions; and there have been quite sharp increases in prices in the parts of London where City professionals, whose bonuses helped inflate the March earnings figures, like to live. Yet a survey of 4,000 estate agents indicated this week that the volume of house sales across the country was down 12.4 per cent last month compared with May 1993. This the agents attribute to two causes: the chancellor's tax increases and the deterrent effect on first-time buyers of higher fixed-rate mortgages.

Both suggestions make some sense. The amount people spend on housing is heavily dependent on what they can borrow. The maximum permitted borrowing is related to their ability to service the mortgage debt. Because post-tax earnings have been reduced since April, and mortgage tax relief has also been reduced, purchasing power in the housing market has taken an understandable knock. Midland Global Markets estimates that the cash loss from the chancellor's fiscal tightening for a household with an average mortgage is equivalent to a 1¾ per cent rise in mortgage rates.

Surprisingly buoyant

Meanwhile the cost of fixed-rate mortgages offered by the larger building societies has gone from just under 7 per cent to well over 9 per cent. This has encouraged some potential buyers to delay their purchase. And indeed the whole housing market is still operating in slow motion when compared with previous economic cycles because the housing ladder has broken down. There are still well over a million people with negative equity in their homes. When this is combined with the impact of the recent increase in gilt prices on the cost of fixed-rate borrowing it is hardly surprising that the volume of transactions is slowing down. If anything, the surprise is that consumption in the UK, which is heavily related to activity in the housing market, has been so buoyant in recent months.

In effect the British economy is becoming a little more like its continental European counterparts, where long-term rates of interest have a greater impact on the level of economic activity and where housing markets are less prone to boom and bust cycles. It also appears that the gilt market is one jump ahead of the Bank of England and the Treasury in restraining the pace of expansion. That is not to say that Mr George will not need to raise short-term interest rates before long. The gilt market's scepticism about policy rests on the well-tested assumption that reduced taxes and lower mortgage rates win elections for the Tories. If the prudential double act is ever to convince, Messrs George and Clarke will probably have to raise short rates in order to bring long rates down.

As in the US, the timing of the electoral cycle would point to a rise sooner rather than later. This indelicate reasoning will not be recorded in the published minutes of their conversations. But it is a safe bet that Mr George will soon be making the case for an early rise in order to bring the gilt market round.

As political uncertainty becomes more widespread across Europe, Maastricht looks less relevant, says **David Marsh**

Partners dance to different tunes

Spawned in the polling booths of 12 nations, a new form of late 20th-century political hybrid has emerged this week: a many-headed Europe.

After the setbacks since 1991 to the Maastricht treaty goal of European union, most governments had accepted the likelihood of a multi-speed Europe. Already in immigration, foreign and defence policies, as well as monetary co-operation, different groupings in the European Union have been implementing integration at disparate paces.

The results of the European parliament elections on June 9 and June 12 indicate that post-cold-war Europe has become still more heterogeneous. Euro-diversity now stems from the power of the ballot box.

The variety of the poll results helps explain why the plan for European unity agreed in 1991 has been looking increasingly unrealistic. Europe's political map, only three years ago painted in uniform integrationist hue, is now polychrome.

"We have a multi-polar Europe," says Lord Dahrendorf, the German-born sociologist and former European Commissioner who is now Warden of St Antony's College, Oxford. "In nearly all countries, there is a tendency towards greater splintering of political preferences."

An article in 1991*, co-authored by Mr Karlheinz Reif, the head of the European Commission's survey research unit, held out "the prospect of an EC that is united, not only politically, but also economically [as] no idle dream." That Euro-optimism has now withered in the harsher economic climate and resurgence of inward-looking policies across the EU. Mr Reif says electorates will again grow supportive of integration as the economy recovers, "but the problem [of attitudes on a united Europe] as such will not disappear."

Surprisingly, the Maastricht treaty is being questioned even by some of its firmest supporters. In a book published this week, Mr Jacques Delors, European Commission president, is quoted in an interview as calling the treaty over-ambitious and poorly drafted. "We shouldn't have made a treaty on political union, it was too soon."♦

In similar vein, Prof André Szász, an executive director of the Dutch central bank, who strongly backs the Maastricht aim of economic and monetary union (Emu), says: "Rarely was a treaty concluded with such far-reaching implications and such lack of clarity as to what was intended and why."

Mr Szász says the prospective widening of the Union – to 15 or 16 countries next year, 20 or more by early next century – increases the necessity of "deepening" existing structures. "The alternatives are not either widening or deepening. It is both or neither." But far more clarity is needed. "The authorities should consider how long they can continue to argue that monetary union requires economic and even political union".

The one country that clearly favoured European integration on Sunday was Austria, where 67 per cent of voters approved membership of the EU next year. But Austria is aware of slackening momentum behind the Maastricht treaty. "On the question of institutional deepening, I remain rather sceptical," says Mr Manfred Scheich, Austria's ambassador to the EU and negotiator on EU accession. "Maastricht has exhausted, if not over-exhausted, the potential for qualitative steps forward in this field."

Austria will be part of the "hard core" of countries eventually participating in Emu, Mr Scheich predicts. But, recalling that German Chancellor Helmut Kohl had recently queried whether Emu was feasible by 1999, he added: "We all have doubts about the timetable laid down in Maastricht. In economic integration, we should concentrate on making the single market work."

The questioning of Maastricht is just one of Europe's uncertainties. Fissiparous tendencies in western Europe mirror the breakdown of political structures and allegiances in eastern and central Europe during the past five years.

Prof Loukas Tsoukalis of Athens university says cynicism about European union and establishment politicians is part of a general malaise. "This time of pessimism is different from those in the past. It is linked to a crisis of governance in most European countries."

According to Mr Brian Gosschalk, managing director of the UK's Mori opinion research company, "There is a sense of disillusionment. Europe is suffering from a lack of positive symbols." His organisation has just carried out a poll across Europe indicating only 30 per cent of the EU electorate supports a "United States of Europe", against 50 per cent who are opposed.

Since no member of the European parliament wields executive power, Euro-elections – with a built-in tendency to amplify protest votes – provide only an imperfect gauge of the public's views on European integration. But the voting on June 9 and 12 gave some pointers to political trends.

- Voter turn-out across the 12 members was 57 per cent, the lowest of the four direct elections since 1979. Particularly large falls came in Ireland, Netherlands and Portugal, states traditionally enthusiastic about integration.
- Under Maastricht and the 1987 Single European Act, governments have given the parliament significant new powers to help correct Europe's "democratic deficit". But a large proportion of voters still regard it with lack of interest or sympathy. Additional powers for the parliament could thus, ironically, widen rather than narrow the gap between European decision-makers and the people.
- Public doubts about the role of the parliament could increase if the greater variety of parties represented there – especially on the right – undermines its cohesiveness. As a foretaste, Mr Silvio Berlusconi, the Italian prime minister, apparently failed this week to persuade Mr Kohl to allow his victorious Forza Italia movement to join the Christian Democrat group in Strasbourg.
- Overtly anti-Maastricht parties did well in France, Belgium, Greece and Denmark. The conservative Popular Party, which topped the poll in Spain, is more lukewarm on Emu than the governing Socialists. In Italy, Mr Berlusconi emerged with his position reinforced as Italy's first Eurosceptic prime minister since the second world war.
- The elections brought contrasting results in France and Germany, the traditional driving forces for greater European co-operation. In France, the shift from mainstream groupings resulted in the two governing parties, the neo-Gaullist RPR and centre-right UDF, gaining just 25.5 per cent of the vote.

In Germany, the governing parties showed they could still rally voters. Mr Kohl's Christian Democrats and their Bavarian sister party, the Christian Social Union, achieved a better-than-expected 38.8 per cent, with anti-Maastricht parties failing to win seats.

But fragmentation is making its presence felt in Germany, too. The score of Mr Kohl's three coalition parties, including the Free Democrats, was 42.9 per cent, the lowest government result in a national German election since 1949.

Low scores for left- and rightwing mainstream parties in France was because both the RPR/UDF and the Socialists "mishandled the internal contradictions of their European policies", according to Mr Didier Witkowski, a political analyst at France's Sofres opinion research company. By contrast, he says, Mr Kohl benefited from the general German perception that the country is now the stronger partner in the relationship with Paris.

The French government wants to "bind" reunited Germany within a strengthened European framework. But a substantial part of the French electorate appears to doubt whether French eagerness to follow a German lead over Europe is in France's interests. Some of these doubts seem to be shared by Mr Edouard Balladur, the French prime minister. Mr Balladur, who said this week the splitting of the French presence at Strasbourg would weaken France's voice, warned in 1989 it was an "illusion ... [that] we can bind Germany irreversibly into western Europe".‡

Mr Kohl's success on Sunday underlines how he has become Europe's pivotal leader. But for all the good intentions being displayed by Bonn ahead of Germany's six-month EU presidency starting next month, any increase in German assertiveness is likely to brake rather than speed moves towards European unity.

One Bonn official says Mr Kohl benefited particularly from the support of older people worried about a resurgence of nationalism in eastern Europe. He adds, however, that these are voters generally hostile to the Emu objective of replacing the D-Mark with a single currency.

Mr Günther Nonnenmacher, co-editor of the conservative *Frankfurter Allgemeine Zeitung*, says Mr Kohl succeeded in "defusing" monetary union as an election issue. This reflects last October's ruling by the Federal Constitutional court that Emu can come about only via strict fulfilment of the rigorous Maastricht "convergence criteria".

Mr Hans-Joachim Veen, head of research at the Christian Democrats' Konrad Adenauer Foundation in Bonn, says two-thirds of Germans oppose monetary union. Mr Kohl is seen as the "guarantor that, if the Ecu, or common currency, comes one day, it will not be a radical change." Since Bonn is sticking to the slogan that "stability [of the future European currency] is more important than the timetable", Mr Veen accepts the date for introducing Emu may slip beyond 1999.

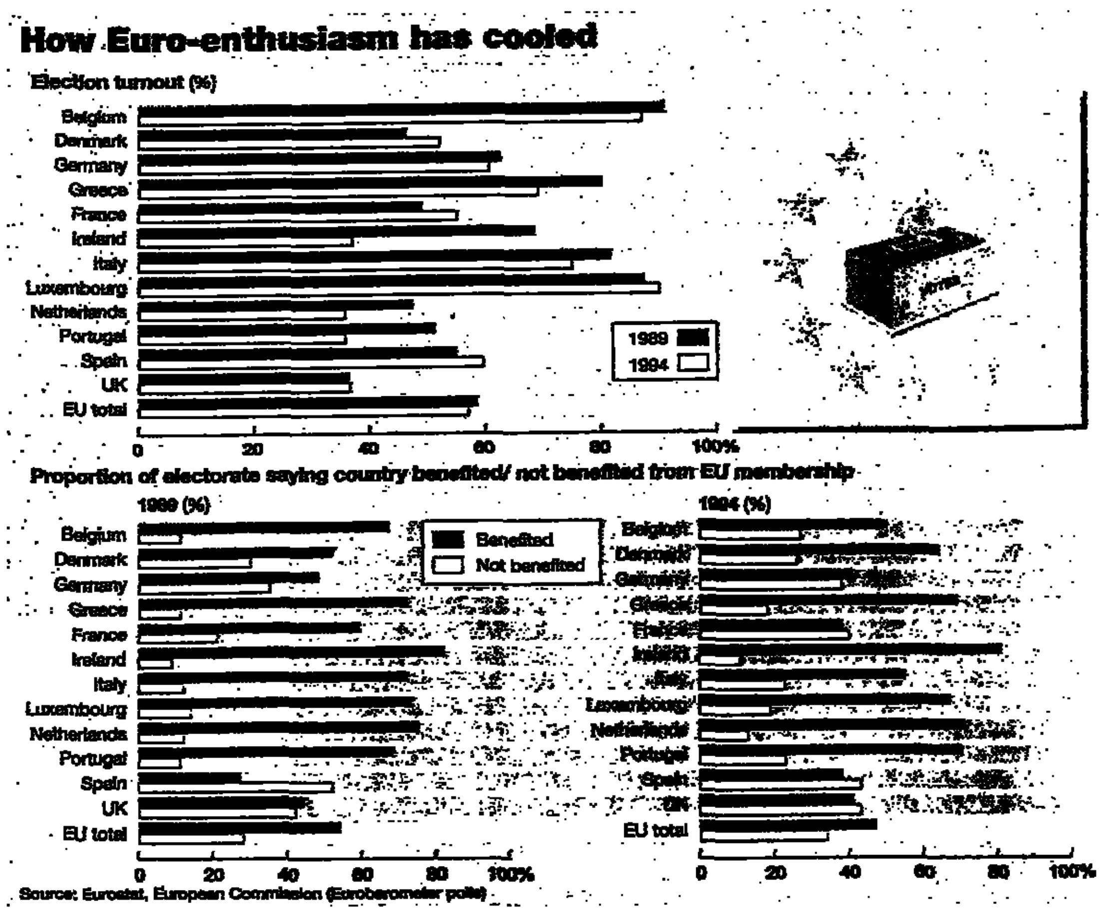
On the future, he says, about 25 per cent of Germans want Europe to deepen integration, 30 per cent want to widen it to the east, and 45 per cent favour the status quo. "We will have to muddle through."

An opinion poll by Germany's Allensbach organisation this month showed ambivalence in German attitudes to Europe. Although most Germans say they favour closer co-operation, they show strong opposition to concrete projects affecting German sovereignty.

If in coming years the future of Europe is to be determined by any one country, it seems likely that the continent will be marching to music composed in Germany. Yet it will not be a fast drum-beat, rather a slow and cacophonous waltz with many pauses and contradictions. The travellers along the European trail will be moving at varying speeds. And some, on the evidence of this week's news, will be heading in different directions.

* *Eurobarometer, ed. by Karlheinz Reif and Ronald Inglehart, (Macmillan, 1991)*
♦ *Delors, by Charles Grant, (Nicholas Brealey, 1994)*
‡ *Il faut repenser l'Europe, Le Monde, 16.11.89*

How Euro-enthusiasm has cooled



Source: Eurostat, European Commission (Eurobarometer polls)

MEN IN THE NEWS: Robert Horton and Jimmy Knapp

Opposite sides of the track

This week's UK rail dispute has witnessed the sight of two formidable prize-fighters squaring up to one another.

Robert Horton, chairman of Railtrack, gained a reputation as a corporate hatchetman during his 35-year climb to the top of British Petroleum. Jimmy Knapp, the gravel-voiced general secretary of the RMT transport union, has acquired a name as a canny and experienced negotiator in the arcane world of railway industrial relations over more than three decades.

They have been pitted against each other in the sort of industrial dispute which many thought had died with the 1970s. The battle between the rail union and Railtrack, the company which took over responsibility for British Rail's track, stations and signals in April, led to a one-day shutdown of most of the rail network on Wednesday and the threat of further action next week.

The outcome of the first round appears to have been victory for Knapp, leaving Horton and his negotiating team looking out of their depth. Faced with an outrageous demand from the union for a no-strings-attached pay rise of 11 per cent, Railtrack's negotiating team fumbled its hand.

Knapp got hold of internal company memos, indicating an early willingness to make an offer of 5.7 per cent to the union. This had prompted the government to intervene to avert any risk of a settlement which would break its guidelines for a public sector pay bill freeze.

By allowing the dispute to flare up at this early stage of the privatisation of the BR network, Railtrack has damaged its own credibility and harmed its own prospects for a speedy and profitable flotation. This has awakened fears in the rest of the rail industry about Railtrack's ability to manage its affairs.

The question being asked is whether Horton, 54, who took up his £120,000-a-year job after being ousted as chairman and chief executive of BP in 1992, has made a successful transition from the world of big oil to the rail industry.

In his first 12 months at Railtrack he has tackled a mass of administrative detail – on property ownership, access agreements with train operators, and so on. It will be another year at least before Railtrack can show whether it is reducing costs and improving the efficiency of the railway. But its ability to deal with the rail unions will set an important signal.

Horton acquired his tough image at BP by abolishing head office committees and cutting layers of management. But a sharp decline in profits during the recession and a reputation for arrogance prompted his fellow directors to press for his resignation.

There is a feeling in the rail industry that he carried over this haughtiness into Railtrack, which has a monopoly of the railway infrastructure and which is, by and large, dealing with far smaller companies. "There is a perception of Railtrack as an organisation with an arrogant self-confidence," commented one rail industry source.

To blame Railtrack for being remote from the concerns of railwaymen would be a mistake, however. Many of its senior managers, including chief executive John Edmonds and the industrial relations team, are long-term railwaymen. There is speculation in the industry that Horton's management

style may have clashed with that of the old-timers.

Certainly, morale at Railtrack will not have been enhanced by Horton's description of Colin Hall, author of the memo made public by the union, as "an over-zealous, very junior manager". In fact, Hall, production manager of Railtrack's south zone, is fairly senior. "I don't think British Rail would have fingered a member of staff in that way," said an industry source.

Horton, however, is keen to challenge his aggressive reputation, and be seen as the railway's saviour, not executioner. "I have a sense of responsibility as the custodian of a great national asset," he said recently. "We have got to jolly well use it. I would be disappointed if we are not carrying more passengers over more miles in three years."

Jimmy Knapp's public image is similarly deceptive. He resembles the last of the trade union dinosaurs (though only 53), a throwback to the old labour agenda of industrial strife. He once likened himself to "the picture of Dorian Gray in reverse". But contrary to his appearance and thick, gravelly Ayrshire accent, Knapp is not an old-style autocratic union leader.

Far from being a willing tool of the left wing which dominates his union's policymaking, he is essentially a traditional socialist, with a strong will of his own. He and his union activists have fought hard and long, but without much success, against the privatising of the railways and for more investment in the network.

He has lost numerous battles when his members have refused to heed the union's strike calls – over, for instance, engineering workshop closures. Knapp's years in office have seen the union fighting an often bitter rearguard action against change on the railways, particularly in defence of entrenched and obsolete working practices, such as insisting that even new trains – operated only by drivers – should have guards on board.

Some critics believe Knapp and his executive are intent on sabotaging privatisation by frightening off possible franchise holders with a display of old-style industrial aggression. But Knapp is simply trying to preserve the centralised industrial relations system of the pre-privatisation British Rail while working with a management more sensitive to commercial pressures.

In the long run, such a strategy looks doomed to defeat, because the railway needs to be modernised. For the moment Knapp appears to have thrown Railtrack on to the defensive. Horton and his team have made a poor start – but it would be foolish to underestimate their ability to recover.

This weekend, as the two sides meet at Acas, the conciliation service, they will to be trying to bridge what they agree is the "enormous gulf" between them – before the next strike, due on Wednesday.

Charles Batchelor and Robert Taylor

Drilling for damages

Robert Corzine and Richard Waters on the aftermath of an oil spill

The US is said to have more than a million millionaires. It may soon have about 13,000 more. An Alaskan jury has to decide whether Exxon, the biggest US company by sales, should pay maximum punitive damages of as much as $15bn to those Alaskans who claim their lives or property were damaged by the worst-ever oil spill in US waters.

This week a federal court jury in Anchorage, Alaska, found that reckless conduct by Exxon and Mr Joseph Hazelwood, the captain of the Exxon Valdez, contributed to the ship running aground shortly after it left the state's main oil port of Valdez in March 1989.

Almost 11m gallons of crude oil spilled into Prince William Sound. In the five years since the accident more than $3.5bn has seeped from Exxon's cash flow to cover the cost of the clean-up and to settle federal and state criminal charges.

Exxon, the world's biggest oil company, has also settled some civil claims voluntarily. But there are 13,000 or so potential plaintiffs who could benefit from this week's decision, including fishermen, local landowners and native Americans.

Their lawyers will go before the same federal jury on Monday and ask the nine women and three men to accept their claim for $1.5m in actual damages, before setting punitive damages at $15bn. The jury is expected to make its decision this summer. If it accepts the plaintiffs' arguments, individual damages could average between $1.1m-$1.3m.

The case has sparked off intense speculation among oil industry observers keen to calculate the potential damage to Exxon. It has also highlighted the arbitrary way in which damages are awarded in US cases of corporate negligence. IN addition, it could affect the tort law reform campaigns which are under way in many states in US, following pressure from companies which have been badly hit in product liability cases.

Mr Arthur Miller, law professor at Harvard Law School, notes that "corporate America is deathly afraid of punitive damages. It is the lifeblood of the plaintiff."

That point is not lost on Mr Brian O'Neill, lead attorney for the plaintiffs in the Exxon case. The $15bn punitive damages claim is based on Exxon's earnings, he says. "Exxon has made in excess of $15bn net out of the pipeline" which brings the oil from Alaska's North Slope to Valdez.

Exxon believes its past financial success should not be an issue in any further damages award. But the court earlier rejected the company's request that evidence about its financial position should not be presented to jury.

Mr John Hervey, vice-president of research at Wall Street brokers Donaldson, Lufkin and Jenrette, believes "Exxon's biggest liability is its ability to pay".

Uncertainty over the eventual level of pay-out has been exacerbated because the US Supreme Court has never set standards for punitive damage awards. Its guidance extends to two general areas. The first is that there must be some relationship between the punitive damages and the actual damages. But there is no guidance on whether that relationship should be two times, three times, or a hundred times.

The Supreme Court says, secondly, that such awards should act as a deterrent, but should not be excessive. The vagueness of that guideline worries Mr Miller at Harvard. "What will deter but not cripple? They've been found reckless, but they're not Satanic . . . It's a wild card, and frankly, it's what really frightens companies."

Since this week's decision, Exxon's market capitalisation has fallen by about $5bn. Industry observers say a decision to impose the maximum $15bn penalty could cut its equity value. But the sheer size and financial strength of Exxon is such that the company's survival would not be jeopardised. That fact is beginning to sink in, and the share price, which plummeted by 8 per cent on the news, has since recovered some of its lost ground.

Exxon Valdez is used by other companies as an example of how not to deal with the media

The swing in sentiment has been encouraged in part by a revision by many analysts of the likely level of damages. Many now expect a pay-out in the $6-$10bn range. Most are wary, however, of second-guessing a jury assessing one of the country's most publicised and extensive environmental disasters.

Mr Miller says this particular case "has got to the heart of the economy and society. It's not like dumping oil in the desert."

But what could the effect of a big award against Exxon be on US industry? Mr Miller believes "corporate America would feel its usual sense of outrage every time it gets kicked in the butt".

Would the deterrent effect be widespread? "That's what it is supposed to do," he says. "Would it do it? There's no empirical evidence. But you have to feel it has *some* effect."

One of the ironies of the Exxon Valdez case is that Exxon is widely viewed within the petroleum industry as perhaps the best-run and most technically competent oil company in the world.

The plaintiffs will try to dispel that view by arguing that the company consistently failed to deal with Captain Hazelwood's well-known drinking problem.

"The people who knew about his problems didn't do anything. Dozens of managers – the Gulf coast fleet management structure, the west coast fleet management structure, the company's doctors – every single part of this institution knew about this and didn't do anything," says Mr O'Neill.

He attributes Exxon's failure in part to "the lack of accountability you get in a big organisation: [a belief that] someone else will do it".

Exxon's public aloofness may help the plaintiffs in making such a case. The company's public relations performance at the time of the disaster was dismal. Mr Larry Rawl, the then chairman, declined to make a personal visit to the site, saying it would make no difference to the clean-up operation.

That led to scathing treatment in the press, to the extent that the Exxon Valdez incident is used by other oil companies as an example of how *not* to deal with the media or the public in the aftermath of oil spills.

In recent years Exxon has built up a strong department of investor relations, preferring to communicate directly to shareholders rather than through the press and industry analysts. Observers who know the company well say the isolation may be linked to a sense that it is being singled out for what may prove the harshest punishment yet meted out to a US company.

But it can at least take some comfort that the incident occurred outside two states where the penalties might have been far worse: California, the Exxon Valdez's destination on its abortive journey, has the country's strictest environmental laws; and Texas, Exxon's home base, where the juries consistently find for plaintiffs.

Reuter

A fisherman holding a sea bird, a victim of the Exxon Valdez oil disaster

Goodies in a mixed bag

Gillian Tett and Neil Buckley assess trends in UK retailing

As the UK government waded through the latest batch of retail statistics this week, it had reason to feel some summer-time cheer.

With economists watching carefully to see how the UK recovery will weather April's tax rises, the verdict from the high streets seems to be "steady as she goes".

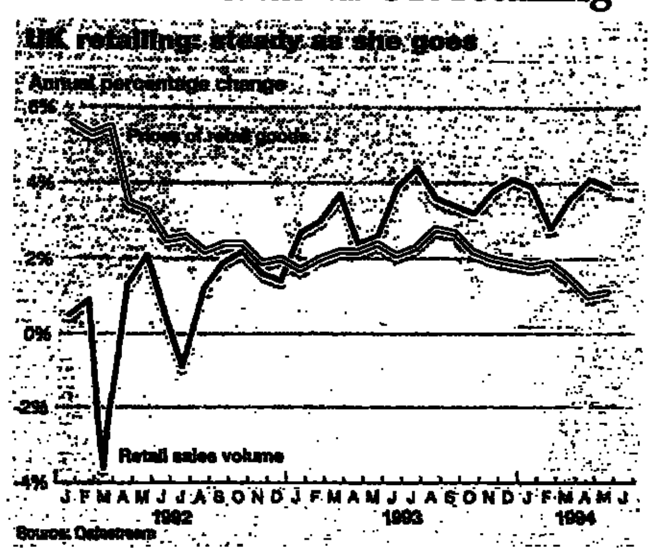
So far there is little sign that consumers have responded to the tax increases by slashing spending. Retail sales volumes rose by a healthy 0.9 per cent between March and May, compared to the previous three months, and were 3.9 per cent higher in May than the same month last year. But neither do consumers show any hint of embarking on a 1980s-style consumer binge. There was no growth in sales volumes between April and May and prices remain subdued.

Though the signs are encouraging for Mr Kenneth Clarke, UK chancellor, who committed himself to recovery free of boom and bust this week, excessive celebration could be premature.

One reason is that consumers have yet to feel the full tax pinch. Though the increases in national insurance contributions and the cut in mortgage tax relief were felt in household budgets in April, the introduction of value added tax on fuel will not hit quarterly fuel bills until this summer.

A warning note against any premature celebration was sounded by this week's Confederation of British Industry's distributive trades survey. This showed that only 44 per cent of retailers believed business was better than a year ago. The proportion of retailers who were pessimistic about trading conditions increased between April and May.

This increased wariness about business prospects together with flat monthly sales indicated by the Central Statistical Office might hint at a tax-induced slow down. But most analysts warn against too much gloom. A recent Gallup survey showed that consumer confidence, although subdued, *rose* in May. Meanwhile the CSO's monthly figures need to be treated with caution, since Easter holiday spending straddled March and April this year, leaving its statisticians uncertain about how to adjust for the seasonal swing.



Source: Datastream

Another reason for treating these numbers with caution is that monthly figures remain volatile, and include a kaleidoscope of variations according to regions, sectors and types of stores. A better conclusion to draw from the divergences in data may be that the tax rises are hitting consumer groups differently, while the retail sector is going through structural changes.

One striking trend in the CBI survey, evident through much of the recession, is that large store chains have performed better than smaller groups and independent stores. While 54 per cent of multiple outlets said sales increased in May compared with the previous year, only 28 per cent of single outlets agreed.

This may be because large chains can offer better value for money than small stores. As the recession made consumers more price-conscious, big stores were able to harness their buying power and the distribution systems they developed in the 1980s. That might explain some of the discrepancies between the CBI and CSO data, says Mr Ian Shepherdson, economist at Midland Global Markets, who says the CBI survey gives greater weight to smaller – and now gloomier – businesses.

Different retail sectors are also experiencing mixed fortunes. Food retailing, for example, is competitive, partly due to structural factors. Superstore operators such as Sainsbury, Tesco and Argyll, owner of Safeway, have been forced to respond to the rapid growth of cut-price competitors such as Kwik Save, by cutting prices and gross profit margins. The "big three" groups all recently reported small increases so far this year in like-for-like sales volumes, which exclude newly-opened stores.

However, supermarkets' prices were in many cases lower than last year, resulting in an overall fall in the *value* of like-for-like sales. The superstore groups predict continuing slow growth and pressure on prices, holding margins down.

The Do-It-Yourself sector, which like food retailing increased floorspace and pushed up margins in the late 1980s, continues to struggle, owing partly to the uncertainty in the housing market.

Clothing, however, is performing better. Marks and Spencer, Next and Storehouse all recently announced healthy increases in sales, and in the CBI survey 56 per cent of clothing retailers and 85 per cent of footwear and leather retailers said sales were up in May.

Not just sectors, but different regions are seeing different levels of performance.

Mr John Bowes, corporate marketing director for CWS, the largest co-operative retailer, which has both small shops and superstores across the UK, said Scotland and Northern Ireland were trading well, and south-east England was recovering. The north-east remained competitive, while trading was difficult in areas of high unemployment such as the Midlands.

There is also evidence to suggest that people on lower incomes suffered to a greater extent from the April tax increases. Shoprite, the Scottish discount food retailer, which targets the less well-off C2DE customers, recently announced profit figures well below expectations. Kwik Save, the UK's largest discount food retailer, with a similar customer profile to Shoprite, was one of the few other retailers to agree that the tax increases had hit its customers hard.

Nearly all retailers and economists agree that the 1990s recession, unlike that of the 1980s, has left consumers value-conscious, and likely to remain so when the good times return. "There is more money for discretionary spending, but it needs the right things, good products at good prices, to bring it out," said Mr Kevin Hawkins, corporate affairs director at W.H. Smith.

These pressures could explain why retailers remain gloomy in CBI surveys despite good volumes, says Mr Michael Saunders, UK economist at Salamon Brothers. Indeed Mr James May, director-general of the British Retail Consortium, which represents more than 90 per cent of retailers, argues that weak margins may yet force shops to push up prices.

But there is little sign of upward price pressure at the moment. And while canny consumers may not make for happy shop-owners, they are good news for a government trying to keep recovery on course without overheating.

Rights and responsibility

George Graham on the rethinking of the black agenda in the US

"We have locked arms and our circle will not be broken," proclaimed the Reverend Benjamin Chavis, executive director of the National Association for the Advancement of Colored People this week. He was speaking at the end of a three-day summit in Baltimore of more than 100 civil rights activists, church dignitaries, academics and businessmen, which had ended with pledges to follow a united black agenda.

Mr Chavis's ringing tones echoed the proudest years of the civil rights movement in the 1960s, but the gathering drew scepticism from many black commentators and politicians: this was a summit of leaders whose credentials have been called into question. Memories revived from three decades ago did not dispel the impression that the leaders were still fighting 1960s wars and are not equipped to tackle 1990s problems – such as economic disparities and urban violence, the causes of which are not only racial discrimination.

The prominent civil rights era activist, Mr Andrew Young, who was President Jimmy Carter's ambassador to the United Nations, once argued the role of the black leader is to lead whites more than blacks. "Black people are the victims of economic inequities in our society and, to change those, the people we really have to change are white," he said.

But while there is still much to be done to educate white Americans about continuing racism and discrimination, many African-Americans feel the time has come to look inward for help. "Let's stop begging. Let's start doing it for ourselves," commented one black urban activist.

That will require considerable change in many of the organisations represented at the Baltimore meeting, notably the NAACP itself.

The NAACP is the oldest US civil rights organisation but, even in the 1960s, it was to a great extent bypassed by more energetic movements such as Dr Martin Luther King's Southern Christian Leadership Conference. Its great achievements came mostly in influencing civil rights legislation, and litigation against discriminatory laws, at a time when it seemed that if legal segregation of blacks and whites could be banished, everything else would follow. "The world was simple then; our enemy was an easy target," says Professor Henry Louis Gates Jr, chairman of the department of Afro-American studies at Harvard University.

Today, with most legal obstructions to equality removed, the NAACP seems to many blacks a less relevant organisation, and its membership has halved to about 500,000 from its peak.

Louis Farrakhan: controversial figure

Mr Chavis, a 46-year-old firebrand who took over the NAACP leadership last year, has tried to make the organisation more relevant, particularly to younger blacks: for instance by organising meetings with inner-city gang leaders. Yet these steps have alienated some older NAACP members, not to mention corporate sponsors.

Other groups represented in Baltimore have also seen their influence decline. Church ministers, though they still hold sway among many lower income groups, are not the dominating voices they were,

Black intellectuals want a less dogmatic approach by both black and white leaders than has been the case in past decades

and have lost much of their hold over better-educated, middle-class blacks.

Two groups were glaringly absent at the Baltimore summit. First, black politicians. Although black political influence is disproportionately small in relation to the US black population, the number of black elected officials continues to grow rapidly, climbing in the past decade by 43 per cent to more than 7,500, according to the Joint Center for Political and Economic Studies, a Washington think-tank. There are now 40 African-American members of Congress and increasing numbers of black mayors.

The second group poorly represented at this week's summit was the urban, black young whose violence, low life expectancy and dismal economic prospects are among the most pressing problems facing the African-American community today.

In the past, the Reverend Jesse Jackson could legitimately claim to speak, at least sometimes, on behalf of this disaffected group, but his career peaked with his campaign for the US presidency in 1988.

One delegate at the Baltimore meeting who does reach today's angry black youths was Mr Louis Farrakhan, head of the Nation of Islam, a black nationalist movement whose anti-white rhetoric has made him, for whites, the most controversial figure in black America today.

But even those blacks who denounce his hatred of whites acclaim the more positive side of Mr Farrakhan's message: that blacks must build their future for themselves and not wait for whites to give it them – an argument which has more in common with the "empowerment" agenda of right-wing Republicans.

It is partly because white groups continually call on black leaders to denounce Mr Farrakhan that his appeal has grown so much.

But the anger of Jewish groups and the discomfort of some black politicians at Mr Farrakhan's presence at the Baltimore summit diverted attention from other issues confronting African-American leaders: gaping economic disparities and inner-city violence. Professor Cornel West, professor of religion and director of Afro-American studies at Princeton University, also argues in his book, *Race Matters*, that a pervasive nihilism is "the most basic issue now facing black America".

The statistics are grim. Black unemployment is more than 12 per cent, nearly twice the national rate, according to the National Urban League, the civil rights group. A third of black Americans live below the official poverty line. Homicide remains the largest cause of death for black males aged 15-34. Suicide, once half as common among blacks as among whites, has climbed, for black men, to white rates.

There is a consensus among black intellectuals that to solve this morass of problems requires a less dogmatic approach by both black and white leaders than has been the case over the past few decades. The white dominated government, and society, need to improve opportunities and remove inequalities but blacks need to take greater responsibility for their future.

"The liberal notion that more government programmes can solve racial problems is simplistic – precisely because it focuses solely on the economic dimension. And the conservative idea that what is needed is a change in the moral behaviour of poor black urban dwellers highlights immoral actions while ignoring public responsibility for the immoral circumstances that haunt our fellow citizens," writes Professor West.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Consumers should benefit more on electricity prices

From Mr K H Prior.

Sir, Michael Smith's well-informed article, "Don't shoot, I'm only the regulator" (June 15), pointed out the importance of Professor Stephen Littlechild's Distribution Price Review to electricity users. This is the opportunity to ensure a more equitable balance of financial benefits between shareholders and consumers. While there has been a marked improvement in the standard of service and supply reliability, non-investing consumers have enjoyed comparatively limited financial benefit.

The regional electricity companies have clung to the upper limits of the price formula rather than pass on some of their cost savings to the consumer. Consumer groups realise there is scope for a fall in prices of 15 per cent or more. Privatisation is improving the consumer's lot but, as the RECs with their newly found independence have chosen not to act, the regulator is capable of putting matters right – with the full support of consumers, and very likely the Monopolies and Mergers Commission.

K H Prior,
chairman, Electricity Consumers Committee (southern region),
Lynchmere, Sussex

The train running early is late

From Dr John Godfrey.

Sir, Does the permanent way have a recurring tendency to temporary derailment?

As evidence, may I cite something that we passengers were told by loudspeaker on a long stationary tube train recently?

"We regret to announce
You will be running late,
Due to an unusual delay.
Thank you for travelling
On the Central Line.
The present delay
Was caused because
We have been running early."

John Godfrey,
41 Lawford Road,
London,
NW5 2LG

Life assurance: the wrongs and rights

From Mr Joel Joffe.

Sir, It is astonishing that life assurance offices should respond to Peter Marsh's investigative journalism ("When he dies my dear, all this will be yours", June 11/12) with cries of the industry being the subject of a press vendetta.

It is not the press which imposed the recent array of fines on many leading life companies for contravening the regulations, designed to protect consumers; nor is it the press which suspended the entire Norwich Union direct salesforce; nor did financial journalists invent the home income scandal, the personal pensions scandal or the statistics showing that one third of life policies lapse within two years.

It is the life assurance industry itself which has, by its unprincipled disregard for the best interests of the public, earned its present appalling reputation. An expression of deep regret and a promise of urgent reform would have been the more appropriate response.

The public has reason to be grateful to financial journalists for their incisive reportage, which has stirred the regulators into taking a measure of effective action to protect consumers against the activities of many life companies.

As a result, standards are beginning to improve but there is a very long way to go. Financial journalists can make a further contribution to speeding up the process by raising the question of accountability. Clearly it is the directors and management of life offices that should be held accountable for their companies' selling malpractices, rather than the individual sales people.

The long-awaited change in regulation will begin with miraculous speed on the day the regulators take public action against chief executives of life offices which blatantly disregard their regulations.

Joel Joffe,
Liddington Manor, The Street,
Liddington, Swindon SN4 0HD

From Mr Malcolm Rose.

Sir, I am rather disappointed that Peter Marsh's article lacked any semblance of balance. Most of us in this industry abhor malpractice and would like to see any practitioner found guilty of fraud or misrepresentation locked away for a very long time. Only then will the public enjoy a reasonable level of protection. It is a matter of some regret that the courts have failed to pass severe custodial sentences when given the opportunity.

You have chosen to highlight the sour comments of industry failures, but I challenge you to produce a single widow who will complain that her late husband was pressured into buying too much life insurance. The client of the Pegasus sales lady who had to struggle to meet his or her premiums will, I am sure, be eternally grateful in the event of a claim. Similarly, the disillusioned Allied Dunbar salesman should consider his own shortcomings rather than criticise the products of a group whose contracts are vastly superior to those peddled by most banks and building societies.

The hard-working, enthusiastic and caring life insurance sales person has nothing to be ashamed of. Life insurance sales people will continue to perform a valuable function until the majority of the population makes adequate provision for themselves and their families without the need for persuasion.

Malcolm A Rose,
The Funding Partnership,
33 Goodyers Avenue,
Radlett, Herts WD7 8AZ

Rutland, contradictions over costings and the government grant factor

From Mr Andrew Makey.

Sir, You state in your leader "Councils and the Concorde fallacy" (June 14) that independence for Rutland could mean up to an extra £125 on each Rutlander's council tax bill. As you will know, this council maintains that the effect of Rutland gaining unitary status will be broadly cost-neutral.

May I explain the apparent contradictions between the two sets of costings. The Local Government Commission acknowledges in its draft proposals that its figures are based on the Ernst & Young model which generally reflects current county council management structures. This model was developed to provide robust costings for comparison purposes over review areas as a whole rather than small parts of them.

Our model, on the other hand, is specifically designed to be applicable to the likely management structure of an authority the size of Rutland, taking into account the reduction in overheads and bureaucracy which would result from the creation of such a unitary authority. Taking this model, independence for Rutland would be broadly cost-neutral to the local taxpayer.

Both sets of figures can therefore be said to be correct, but both are in any case purely hypothetical. It would be a dangerous exercise to try to foretell council tax levels in 1996 since more than 70 per cent of council funding comes directly from central government. Indeed, the commission itself acknowledges that the impact on council tax would depend upon future decisions by central government about the distribution of grant.

That is the biggest and most unpredictable variable, not the figures under discussion here.

Andrew Makey,
chairman, local government reorganisation committee,
Rutland District Council,
Catmose,
Oakham,
Rutland LE15 6HP

Greycoat £40m in the red and calls for £47m

By Simon Davies

Greycoat, the property developer rescued from the brink of collapse last November, has launched a £47m rights issue to purchase and refinance the remaining 50 per cent of 123/151 Buckingham Palace Road, London, which has been valued at £159m.

It is paying £18.2m for Sir Robert McAlpine Group's half of the 386,600 sq ft office and retail property.

Greycoat also announced a pre-tax loss of £40m (£167m) for the year to end-March. However, the company returned to profitability in the second half with £3.5m pre-tax. Losses per share were 10.5p (92.5p).

Mr Richard Guignard, joint managing director, described the latest transaction as "a housekeeping exercise". A £125m loan attached to the property was due for repayment next January, giving Greycoat the choice between buying the remaining half, or selling the property. The loan will be replaced with a £82.5m facility from Hypo Bank, and the remaining £42.5m will be covered by the rights proceeds and internal resources.

The cash call will allow Greycoat to progress beyond mere survival, but the stock market reacted unenthusiastically to the deal. The shares fell 1½p to 15½p.

Some analysts expressed concern over the proximity to last November's restructuring by Mr Brian Myerson and Mr Julian Treger, the South African investors who enabled the company to avoid receivership.

Mr Treger said: "It is a one-off opportunity to consolidate the portfolio, as part of the ongoing restructuring of Greycoat."

The offer is on a 3-for-8 basis at 13p, a discount of 24 per cent to the previous closing price. The issue is underwritten by NM Rothschild and Samuel Montagu.

The rights will dilute net asset value from 17.4p, as of March, to 15.9p, but it is sufficiently above the rights price to encourage support for the issue.

Gearing will fall from 152 per cent to 137 per cent.

Greycoat will emerge with 100 per cent ownership of two significant properties, and an option on a third.

Britannic House, in London's Finsbury Circus, was effectively ring-fenced to protect Greycoat, but the company can repurchase it up to 2002, at a price which reflects the obligations of the debtors rather than the value of the property.

Once the property value, currently £133m, exceeds the £150m value of debt, virtually all additional valuation increase would accrue to shareholders, Mr Guignard said.

In addition, Greycoat revealed that it planned to proceed with the controversial £350m development of Paternoster Square in early 1995, subject to securing development financing.

It owns 21 per cent of the City project, which last August received planning consents. Its £15m investment has been written down to nothing, and Mr Guignard was adamant that Greycoat would not invest further capital into development projects. However, Greycoat's project management role could leave it with a carrying stake in the largest new development in the City.

Following the rights issue, the company is proposing a 1-for-10 share consolidation.

See Lex

Rugby makes $93m US purchase

By Andrew Taylor, Construction Correspondent

Rugby, the cement group, has paid $93m (£61.2m) to acquire the US building materials distribution business of Bunzl, the distribution and cigarette filters group.

To pay for the acquisition, Rugby is placing 48.9m shares with institutional investors at 125p each. The placing is being organised by Schroders.

Following the announcement the cement group's share price rose by 3p to 134p.

Bunzl said the sale would result in a net goodwill charge of about £35m in the current financial year. It intends to use the sale proceeds to cut group borrowings.

Its share price yesterday was unchanged at 164p.

Mr Peter Carr, Rugby's managing director, said the acquisition was expected to be earnings enhancing in the first year.

The group is buying a distribution business with 7 branches in north-eastern states; 10 branches in the mid-west and 8 in the west. Products supplied include doors, windows, roofing materials, ceiling and floor tiles, lumber and plywood.

It made an operating profit last year of $6.4m ($1.2m in 1992) on sales of $359m ($364m). The business reported *net operating assets of $76.8m* at the end of December.

Mr Carr said that the acquisition would complement Rugby's existing US operations involving 22 wholesale distribution branches in the eastern part of the country.

"Where overlap occurs its impact is generally limited by differences in the product range and customer base," said Mr Carr.

The deal would enhance Rugby's purchasing power, allow cross-fertilisation of product lines and increase the company's ability to service national and regional customers, he added.

The US was recovering from recession with a consensus forecast of 3.6 per cent economic growth this year.

The final purchase price will depend upon a revaluation of Bunzl Building Supply's net operating assets, subject to a ceiling of $94m.

Cater Allen in £23m acquisition

By John Gapper and Norma Cohen

Cater Allen Holdings, the discount house and banking group, is raising £32.3m via a rights issue to finance expansion, including the £23m acquisition of the banking operations of Jupiter Tyndall, the asset management group.

The group also announced pre-tax profits of £17.1m (£18.9m) for the year to April 30. Profits for the discount house fell to £5.8m (£10.7m) because of last year's windfall from falling interest rates.

Mr James Barclay, chairman and managing director, emphasised that "the dividend policy of steady but sustainable growth was still firmly in place" despite proposing an unchanged final dividend of 20p making a total of 28p (27p), payable from lower earnings per share of 49p (56p).

The deal will increase Jupiter Tyndall's net assets by £9m and leave it with cash of £30m, with which Jupiter said it would "aggressively pursue growth in our investment management business" as well as increasing shareholders funds.

It may acquire Queen Anne's Gate Asset Management, the fund management company responsible for investing the £2bn in assets of the privatised water companies.

The performance of Queen Anne's Gate, which has been on the market for several months, has been consistently above-average.

However, it has few clients and manages a large sum for each, making it vulnerable to a sudden loss of business.

Cater's 1-for-3 rights issue will be priced at 410p per share, an 18 per cent discount to the 518p at which the shares closed unchanged, less the final dividend.

Jupiter's shares were also unchanged, at 255p.

Mr Barclay said the Jupiter banks acquisition would double retail banking deposits to £690m and reinforce its status as a specialist deposit taker.

The effective price was £15.5m because Cater would be able to free £7.5m of capital by combining its bank arm with Jupiter's. It would eliminate some separate capitalisation and cut regulatory capital needs.

The *consolidated* pre-tax profits of the Jupiter banks fell to £2.76m in the year to December 31, against £3.36m, due to lower interest rates.

The stated profit would have been some £168,000 lower under Cater's accounting policies.

Mr Barclay said Cater would use a further part of the proceeds of the issue to buy a "substantial" trust company in Jersey, with which it was in negotiations. It would also apply extra capital to its discount house and stock lending arms.

● **COMMENT**

Unchanged shares indicated a logical deal for both parties, with Jupiter obtaining enough for a bank which it gained as part of an earlier acquisition, and Cater broadening further from its discount house roots. After rejigging the capital, Cater is paying a historic multiple of about 11.5. That is in line with similar deposit-takers. But the Jupiter banks are not growing fast, and will have to be galvanised by the new management to ensure that the price is worthwhile.

Portsmouth & Sunderland up 20% but sees growth slowing

By Peggy Hollinger

Portsmouth & Sunderland Newspapers, the publishing and retailing group, yesterday warned profits growth was expected to slow following the loss of two substantial printing contracts over the next two years.

Mr Christopher Brims, chief executive, described the group's 20 per cent increase in pre-tax profits to £7.5m as sat*isfactory in spite of difficult* trading conditions.

Sales for the 53 weeks to April 2 rose to £112.1m, compared with £103m for the previous 52 weeks. Stripping out the extra week, pre-tax profits were 6 per cent higher, on sales up by 7 per cent.

Mr Brims said P&S would face a difficult two years, following the decision by the Daily Mail not to renew its printing contract. The Independent contract, which expires in 1996, was also under review. These two contracts represented two thirds of the £12m printing business.

The chief executive was confident growth in the publishing *and retail business would off*set the loss of the contracts.

Advertising was reviving across the board. The strongest growth came from recruitment advertising, which was 20 per cent up in volume.

The convenience store division increased profits by 25 per cent on sales 11 per cent higher for the comparable 52 weeks. This was partly due to expansion – nine outlets were added.

Publishing increased profits by 23 per cent on sales ahead 3 per cent. This was due both to increased advertising revenues and the benefits of rationalisation. P&S took an exceptional charge of £1.7m to pay for rationalisation.

Earnings increased were 13 per cent ahead to 41p. Excluding the extra week, earnings fell by 1 per cent.

The final dividend is raised to 7.52p for a total of 10.64p (9.46p).

Gloom for Eurotunnel underwriters

By Simon Davies

The gloom continued for underwriters of the £858m Eurotunnel rights issue yesterday, as the share price dropped a further 15p to 288p, leaving it just 23p above the rights price.

Brokers reported a substantial increase in sales from both UK and French small shareholders, with some 2.7m Eurotunnel units traded, the highest level since the pricing was announced, and close to 8m of the nil-paid shares.

The offer closes at 3pm next Wednesday. Given the 16 per cent share price fall last week, and no signs of institutional support, there is an increasing possibility that underwriters will be called upon to cover a sizeable slice of the issue.

At the time the issue was announced, the talk was of artificial devaluation of the share price through short selling, and it bounced strongly in the aftermath.

But there has been no more good news to support the shares, and once more investors have focused on the long *distance to profitability and dividends*, and news reports of breakdowns in the freight service.

Monday will be the last day trading the nil-paid rights shares, and the outcome of the issue should become clearer.

Golden Vale shares drop 30% on warning

By Tim Coone in Dublin

Shares in Golden Vale, the Irish dairy group, closed 30 per cent down at 69p yesterday, after plunging as low as 55p during the day, in reaction to its profits warning on Thursday evening, delivered after the market close.

The company said its pre-tax profits for 1994 would be about one third down on 1993's I£19m because of falling prices for its products, tighter margins being forced on it by multiple retailers, unanticipated rationalisation costs, and a strengthening Irish currency.

These factors have not been *"fully matched"* yet by a reduction in prices paid to its farmer-suppliers for its milk supplies, directors said.

Dublin analysts do not anticipate similar profits revisions for the other Irish food companies.

British Vita shares fall after statement

By David Wighton

Shares in British Vita slipped 16p to 259p yesterday after the foam and fibre group said that it was finding it hard to recover higher raw material costs from its customers in the summer months.

Some analysts reacted by trimming their forecasts although the company subsequently stressed that the statement was not meant as a profit warning.

Mr Jim Mercer, who heads the European rubber and plastics operations, said that the situation had not worsened since the annual results were announced in March. "It cer*tainly has not deteriorated and* in some areas our ability to push through price increases has improved," he said.

In yesterday's statement the company said: "While raw materials prices, especially in foam chemicals, have *increased, the levels of demand* over the summer months in several markets make it difficult to recover these costs until the autumn."

The statement accompanied news of the acquisition for £9.36m of Jackdaw Polymers, a Lancashire-based group involved in the compounding of engineering plastics.

British Vita said the company, which has sales of more than £10m and has been consistently profitable, extended the scope of its existing compounding activities and complemented its engineering thermoplastic sheet business.

The consideration, £1.25m of which has been deferred under warranty arrangements, is being satisfied by £5.61m cash and the issue of 936,330 shares.

Smith New Court has cut its profits forecast for the present year from £47.5m to £45m and from £55m to £52m for next year.

Ex-FT chief joins O'Reilly group

By Raymond Snoddy

Mr David Palmer, the former chief executive of the Financial Times Group, is to be managing director of Independent Newspapers (Ireland), the Irish publishing division of Mr Tony O'Reilly's expanding media group.

As well as being responsible for the Dublin-based group's main Irish titles – the Irish Independent, *Evening Herald* and *Sunday Independent* – Mr Palmer will join the main board.

Mr Palmer, 53, spent 29 years with the FT as reporter, news editor and deputy editor before moving into newspaper management. When he left the FT abruptly in April 1993, Pearson, the paper's owners, cited "differences in management style".

Mr O'Reilly, chairman of HJ Heinz as well as chairman of Independent Newspapers, has been talking to Mr Palmer for several months following the departure of the previous managing director, Mr Joe Hayes, in March to pursue other business interests.

Mr Palmer, educated at Eton and Oxford, will move to Dublin to take up his new appointment.

In the mid 1980s the *former FT chief executive was in charge of a £75m investment plan to* introduce photo-composition at the paper and build its new Docklands printing plant.

Although Independent Newspapers has expanded into South Africa, France, Mexico, the UK and Australia, the core is still its main Irish newspapers. Last year pre-tax profits rose 81 per cent to I£29m (£28.4m).

Wainhomes beats float forecast with £6.2m

By Andrew Taylor, Construction Correspondent

Wainhomes, the Chester-based housebuilder which came to the market in the spring, beat its flotation forecast with pre-tax profits of £6.22m, compared with £5.29m, during the 12 months to the end of March.

Turnover rose by 22 per cent to £69.4m (£56.8m). The pre-tax figure was struck after lower interest charges of £866,000 (£1.17m). Earnings per share also rose by 22 per cent, from 7.9p to 9.6p.

Stock market sentiment has turned against housebuilders since the company floated at 170p. Yesterday the shares fell 1p to 134p.

Wainhomes sold a record 965 homes last year, 22 per cent more than in 1992-93. Due to increased land costs and reduced selling prices, margins declined slightly during the 12 months, the company said.

The number of housing plots it controlled for development rose over the year by more than 700 to 3,102.

Mr Smith said: "The strong demand experienced at the beginning of 1994 has continued into the new financial year and consequently our cumulative sales to mid-June are 46 per cent ahead of the comparative period last year."

Challenging the traditions

Richard Lapper looks at Benfield's new £50m reinsurance venture

The launch this week of Benfield Re, a new £50m London-based reinsurance company, might at first sight appear unexceptional. After all the company is only one of a number of new ventures in the international catastrophe reinsurance market over the last 18 months, with more than £3bn pumped into the market by international investors over the last 18 months.

Matthew Harding: among the 500 most wealthy people in the UK

Yet two factors make the new venture worthy of attention. Firstly, the backer of the project, Benfield Group, is one of London's most successful reinsurance brokers in recent years, with its 1993 full year pre-tax profits of some £30m amounting to nearly 75 per cent of its turnover.

Mr Matthew Harding, the group's ambitious 40 year old chairman, has already generated a personal fortune recently estimated at £135m, and last year started to diversify his interests by acquiring a *significant minority stake* in Chelsea Football Club.

Together with three of his co-directors, Mr Harding figures among the 500 most wealthy people in the UK, according to one recent survey.

Secondly, Royal Bank of Scotland, whose other investments in the insurance industry include Direct *Line, the* UK's most successful insurance company of recent years, is backing the project. Its venture capital arm, Royal Bank Development Capital, is one of three institutions providing £12.5m in new equity to Benfield for the new venture.

Benfield's achievements to date are in part due to the way it has challenged many traditional business practices in the London insurance market.

Mr Harding is fiercely critical of traditional ways of broking, for example. Many brokers physically carry contracts around the market, frequently queueing at underwriting "boxes" – the open plan offices where Lloyd's underwriters work – to obtain support for deals.

"Benfield brokers do not go out with their binders and tramp through the streets on a wet Wednesday afternoon," insists Mr Harding. The group conducts the vast majority of its broking business either by telephone or in pre-arranged *meetings and is* usually the only broker involved in a reinsurance deal.

"In the bad old days in the mid to late 1980s, syndicates would often reinsure through a dozen or so reinsurance brokers. We would often structure the whole programme ourselves," explains Mr Harding.

In addition Mr *Harding* believes brokers must take a long-term approach to reinsurance business, developing stable connections with underwriters who are prepared to handle relatively large deals.

Benfield's position in the market has been strengthened by the collapse of the "spiral", the chain of reinsurance and retroinsurance (reinsurance of reinsurance) through which dozens of underwriters and brokers traditionally handled catastrophe risks.

Benfield's customers were generally less involved in "spiral" and most continued to trade through the market's difficulties.

And following the contraction of the capital base supporting the London reinsurance market, Benfield was able to find alternative capacity elsewhere.

This was at least partially through its links with overseas companies, such as Fortress Re, a North Carolina-based agency which underwrites on *behalf of three Japanese* companies, and Frankona, a reinsurance subsidiary of Gerling, a leading German insurance company.

The group quickly became a leading force in the catastrophe market, increasing income from £9.4m in 1989 to £39.9m in 1992 and £41.3m in 1993.

Mr Harding introduced innovative elements into reinsurance deals, mainly designed to prevent the re-emergence of a kind of reinsurance "arbitrage", in which some underwriters were able to underwrite business but retain very little or no risk on their own accounts, and which was sometimes an important feature of "spiral" business.

At the same time Mr Harding and his team transformed Benfield's organisation, by introducing *"state of the art"* technology and systems.

Because it had brokered relatively few contracts, Benfield avoided the heavy burden of processing thousands of small claims. The company's brokers do their own secretarial work, using personal computers and dedicated software.

Benfield's new reinsurance venture gives it the possibility to diversify its sources of income.

For the moment its ambitions in this field remain relatively modest. With rates now beginning to soften as competition re-emerges, Benfield Re does not expect to use its capacity to underwrite up to £125m in annual premiums in its first year.

Initially at least the company will not "lead" the negotiation of reinsurance deals, instead working alongside a group of about a dozen senior underwriters.

But the group is ambitious. Mr John Coldman, managing director, said this week that it was looking for growth and would be able to increase its capital base very quickly if necessary.

NEWS DIGEST

J Latham maintains recovery

James Latham, the timber importer and building materials merchant, maintained its recovery in its second six months, to March 31, to end the year with a pre-tax profit of £1.34m. This compared with a £2.21m loss previously.

Turnover climbed 18 per cent to £71.5m helped by increased volume and significant price increases, particularly in dollar-related products. Current sales were running about 10 per cent up on last year.

Mr Christopher Latham, chairman, said housebuilding was again positive, but other sectors of the construction trade continued a downward trend until the latter part of the year.

Earnings per share came through at 21.4p (43.9p losses) and the recommended final dividend is 2.5p for a total of 4p *(1.5p)*.

Wintrust

Wintrust, the merchant banking group, announced a 24 per cent rise in pre-tax profits from £2.02m to £2.51m during the 12 months to March 31.

Mr Richard Szpiro, managing director, said the volume of new business proposals was running at record levels.

A final dividend of 6.95p is proposed, making 10.25p (9.3p) for the year, payable from earnings of 14.97p (11.19p) per share.

Cambridge Water

Pre-tax profits of the Cambridge Water Company expanded from £2.94m to £4.14m for the year to March 31, from turnover little changed at £14.5m, against £14.3m.

Earnings per share were 944p (726p) while the final dividend is 125p, lifting the total to 190p (170p).

Cheam

Cheam Group, the south-west London and Surrey water supply company, lifted turnover by 13 per cent and pre-tax profits by 20 per cent during the 12 months to March 31.

The pre-tax line improved from £3.31m to £3.98m, on turnover of £15.6m (£13.7m).

Earnings per share worked through at 41.9p (37.2p) and a recommended final dividend of 9.3p brings the total for the year to 14p (11p).

Grainger Trust

Grainger Trust, the property investment and trading company, announced pre-tax profits of £4.76m for the six months to March 31, against £1.02m restated for FRS 5.

Some £1.9m of the pre-tax figure consisted of a partial reversal of the £5.66m write-down of the value of Kennel Farm, Basingstoke, made in 1992.

Turnover amounted to £16.4m (£15.6m). Earnings per share came through at 15.9p (3.4p) and the interim dividend is lifted from 1.2p to 1.35p.

Davenport Knitwear

Davenport Knitwear, the Birmingham-based maker of knitted fabrics and garments, lifted pre-tax profits by 49 per cent in the year to December 31.

On turnover up 12 per cent to £9.73m (£8.65m) profits rose from £1.45m to £2.15m pre-tax.

Earnings per share emerged at 84.5p (56.7p) and the proposed dividend is raised from 8.525p to 9.2p.

John Swan

Following an increase at midway, John Swan & Sons, the livestock auction and estate agency concern, finished the year to April 30 with pre-tax profits of £376,898, compared with £231,346.

Turnover, which comprises commission, fees and credit charges, moved ahead from £1.49m to £1.52m.

Earnings per share expanded from 25.2p to 39.4p while the dividend is increased to 18p (16p).

Dart

Improved trading in the distribution division and aircraft parts business enabled Dart Group to increase pre-tax profits by 41 per cent, from £1.66m to £2.34m, during the year to end-March.

Turnover for the distribution and aviation services group improved to £52.2m (£42.8m). The pre-tax figure was helped by a surplus on the sale of fixed assets of £130,000 (£16,000) and lower interest charges of £26,000 (£216,000).

Earnings per share were 10.6p (7.5p). A final dividend of 2.4p is recommended, taking the total for the year to 3.7p (3.3p).

Bankers Inv Trust

Bankers Investment Trust reported a net asset value of 185.7p per share as at April 30, a rise of just 1.2 per cent on the trust's year-end value of 183.5p.

The increase on a year-on-year basis was 21 per cent.

Net revenue for the six months to end-April dipped to £2.79m (£3.01m); earnings per share emerged at 1.78p (1.93p).

A second interim dividend of 0.97p (0.9p) brings the total to date to 1.94p.

Faupel Trading

The lack of an exceptional charge resulted in Faupel Trading, the USM-quoted textiles importer, reporting pre-tax profits of £1.02m for the year to March 31, against losses of £59,000 restated for FRS 3.

Turnover was £27.8m, against £31.4m including £2.63m from discontinued activities. Operating profits were little changed at £1.54m (£1.59m) but last year there was an *exceptional charge* of £884,000.

Earnings per share were 6.68p (losses 4.73p). The dividend is held at 4.9p with an unchanged 3.05p final proposed.

Henderson Strata

Net asset value per share of Henderson Strata Investments increased from 271p to 297.7p during the six months to April 30; the outcome compared with 231.8p at end-April 1993.

Available revenue for the six months fell from £47,000 to £12,000, equivalent to 0.07p (0.29p) per share. The directors expected to recommend payment of a reduced dividend for the year – last year's single, final payment was 1.4p.

Microgen

Microgen Holdings has paid £1.5m cash to acquire Scottish Computer Services from Clydesdale Bank.

Assets of Glasgow-based SCS were about £1m at the end of the year to September 30. It made a pre-tax profit of £35,325 (£901,001 loss) on turnover of £2.87m (£3.12m).

Burton

Burton Group, the clothing retailer and property developer, has completed the sale of Terra Firma, Redhill, Surrey, to CIN Properties for £13.5m cash. CIN is the property investment manager of British Coal pension funds.

The property was let earlier this year for £919,000 a year, equating to a yield of 6.5 per cent.

Storehouse

Mr Keith Edelman, chief executive of the Storehouse retailing group since last August, earned the equivalent of an annualised £606,175 last year, according to the annual report.

His actual pay up to the April year-end was less than that of Ms Ann Iverson, chief executive of Mothercare who is leaving to join Melville, the US retailer. She was the highest-paid director with £495,986, *including* a £171,500 bonus.

Both figures are well below the £3.37m - including a £2.7m bonus - earned by Mr David Dworkin, the former group chief, in the previous year.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abtrust Pref'd ......fin	3.28125	Aug 1	2.906	12	11.625
Bankers Inv Tst ......int	0.97‡	Aug 31	0.9	-	3.88
Cambridge Water ......fin	125	Aug 5	115	190	170
Cater Allen ......fin	20	July 30	20	28	27
Cheam ......fin	9.3	Aug 22	7	14	11
Dart ......fin	2.4	Aug 31	2	3.7	3.3
Davenport Knit ......fin	9.2	Oct 3	8.525	9.2	8.525
Faupel Trading §......fin	3.05†	Aug 30	3.05	4.9	4.9
Grainger Trust ......int	1.35	July 26	1.2	-	5.25
Latham (James) ......fin	2.5	Aug 8	nil	4	1.5
P&S Newspapers ......fin	7.52	Aug 1	6.62	10.64	9.46
Swan (John) ......fin	18	Aug 25	16	18	16
Wintrust ......fin	6.95	Oct 1	6.3	10.25	9.3

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Second interim; makes 1.94p to date.

LVMH sees strong profits growth

By Alice Rawsthorn in Paris

LVMH, the French luxury goods group, was on course for strong profits growth in 1994 after benefiting from buoyant sales during the opening months of the year, Mr Bernard Arnault, chairman, confirmed yesterday.

The group expected net profits to rise by "more than 30 per cent" during the first half of 1994 from FFr935m ($164m) during the same period last year, Mr Arnault told the company's annual meeting. It is in the throes of acquisitions after reducing its debt by unravelling a cross shareholding agreement with Guinness, the UK brewer.

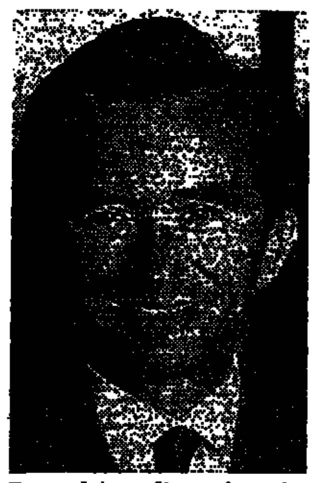
Mr Arnault forecast the group, which last year was affected by a downturn in the champagne market and by the impact of restructuring costs on the contribution from its Guinness stake, would achieve a profits increase of "at least 20 per cent" in 1994 from FFr3.57bn in 1993.

The improvement in the group's fortunes reflects a wider recovery across the international luxury goods industry.

The luxury market, which flourished during the 1980s, was one of the first casualties of the economic recession in the early 1990s. However, the industry has since last autumn benefited from increased demand in the US and in its emerging south-east Asian markets.

LVMH owns some of the world's most high-prestige products including Hennessy cognac and Louis Vuitton luggage.

The group recently reported a 28 per cent increase in turnover to FFr6.02bn in the first quarter of this year, fuelled by healthy sales growth for cognac and luggage.



Bernard Arnault: earnings rise could be more than 30 per cent

Mr Arnault yesterday confirmed that the upward sales trend had continued during the second quarter. LVMH, he said, had registered a 22 per cent increase in sales in the five months to the end of May.

In the meantime the group is pressing ahead with its acquisition plans. Mr Arnault said he hoped to develop the group's interests outside the drinks sphere by expanding its other luxury activities, such as fashion and beauty products.

Since the unravelling of the Guinness agreement LVMH has taken control of Guerlain, the French fragrance house in which it held a minority stake.

It is understood to be in negotiations over the acquisition of Van Cleef & Arpels, the Paris-based jeweller. If the deal goes through Van Cleef could become LVMH's first foothold in the real jewellery market dominated by France's Cartier and Tiffany of the US.

Metallgesellschaft raises DM1.2bn in sale

By David Waller in Frankfurt

Metallgesellschaft, the heavily-indebted German mining, metals and industrial group, has raised DM1.2bn ($706m) from the sale of its near-80 per cent stake in Buderus, an engineering and building supplies subsidiary once regarded as a jewel in the Frankfurt-based conglomerate's crown.

The sale, handled by Deutsche Bank and Dresdner Bank, was conducted through an international placing of 2.03m Buderus shares at DM600 each.

Deutsche Bank, the biggest creditor to Metallgesellschaft, said the placing had been oversubscribed in spite of poor market conditions. Applications for shares had to be scaled down.

The proceeds, less commission for the two big banks, will initially flow to Metallgesellschaft, although it is highly likely the money will find its way back to banks which are owed a total of about DM9bn.

Deutsche and Dresdner banks, both big shareholders in Metallgesellschaft, will be the main beneficiaries.

The banks have security over Buderus's assets dating back to December last year when they advanced an emergency loan to Metallgesellschaft.

The group came to the brink of bankruptcy in January after running up DM2.3bn losses in US oil derivatives trading.

Metallgesellschaft said it would realise an extraordinary profit on the Buderus sale.

It did not quantify the gain but bankers close to Metallgesellschaft said it would offset fresh provisions arising from the involvement of MG Corp, Metallgesellschaft's New York-based trading subsidiary, with Castle Energy, a north American oil-refining company in which MG Corp has a large minority stake.

● Deutsche Bank yesterday denied rumours that Mr Rolf Breuer, a board member who is also chairman of the German Stock Exchange, would be resigning as head of the bank's securities trading activities.

In spite of the denial, shares in Deutsche Bank dropped DM10.60 to close at DM721.10.

Ruhrkohle considers Venezuelan coal venture

By Michael Lindemann in Essen

Ruhrkohle, Germany's largest coal producer, said yesterday it was considering taking a stake in a Venezuelan coal mining venture to increase its coal imports.

The company will take 25 per cent in a four-way venture with Shell and two other companies to produce 4m tonnes annually. An entry price is still being discussed.

However, the group said improved results in the power generating and trading divisions could not prevent a 34 per cent decline in profits to DM49m ($28.8m), from DM66m the year before.

Turnover fell 5 per cent to DM23.41bn, in spite of slightly improved sales in the non-coal divisions.

Mr Heinz Horn, chief executive, said the Essen-based company hoped to break even this year, helped by a better steel market where increased demand had helped to reduce its coke stockpiles.

Mr Horn said the Venezuelan venture was designed to broaden the company's supply of cheaper, imported coal which is becoming increasingly attractive for Ruhrkohle's electricity generating clients, such as Preussenelektra, which have historically used German coal but are slowly turning to imports.

"We regard this as an extension of what we can offer our clients, especially our smaller clients," Mr Horn said.

Germany imports 20 per cent of the 50m tonnes of coal needed by power stations, but this will rise to about 30 per cent in coming years.

Ruhrkohle produced 15.5m tonnes of coal in the first five months of this year. This compares with 17.9m tonnes in the same period of the previous year.

Projected output for the whole of 1994 is 37.4m tonnes, down from 41.9m tonnes last year.

Ruhrkohle will shed more of its 75,000 coal miners in coming years as it moves towards a projected workforce of about 60,000 by the end of the decade.

Overall, the group employs 111,150 people.

Pharmacia offer will generate SKr9.4bn

By Christopher Brown-Humes in Stockholm

The Swedish government said yesterday its offer of a 47.4 per cent voting stake in Pharmacia, one of the world's top 20 pharmaceutical groups, had been heavily oversubscribed and would raise a total of SKr9.4bn ($1.2bn).

It expected to meet its target of selling a maximum of 82.2m shares after giving underwriters the chance to allocate an additional 10.2m shares to institutions.

Institutions will pay SKr120 per share, and the Swedish public SKr110 per share.

The institutional price is SKr1 lower than Pharmacia's closing price on Thursday but SKr5 lower than the average price during the subscription period.

A total of 47.5m shares will be allocated to Swedish retail investors, and 34.7m to institutions. Non-Swedish institutions will take 70 per cent of the institutional tranche, increasing foreign ownership in the group to 11.5 per cent from 2 per cent.

Mr Per Westerberg, Swedish industry minister, said the privatisation had been a success in spite of bond and equity market turbulence during the subscription period. He added that the institutional offer had been 2.5 times oversubscribed and the public offer 1.8 times.

The state retains 10.1 per cent of Pharmacia's votes, making it the second largest shareholder after Volvo, the vehicle group, with 28 per cent. Volvo wants to sell its stake but has agreed not to do so before 1996.

Pharmacia was the biggest single sale in a privatisation programme which has raised SKr23bn since it was unveiled by the centre-right government in 1991.

The government has promised more privatisations if it wins the September general election, including Nordbanken, Telia, the telecommunications group, and Vattenfall, the power group. The Social Democrats, who are favoured to win the election, have ruled out sales of Telia or Vattenfall.

Unisys held back by slow mainframe sales in Europe

By Louise Kehoe in San Francisco

Unisys, the US computer company, has warned that slow European sales of its mainframe computers will result in lower-than-expected second-quarter earnings.

Its share price dropped sharply to $9 from $10¾ when it released its statement just before the market closed on Thursday. Yesterday, in early trade, the stock hovered around $9.

The group, which has been making a strong recovery after several years of heavy losses, blamed the setback on both operational and economic weaknesses in Europe. European revenues represented 25 per cent of Unisys' total 1993 revenues of $7.7bn.

Sales of large computer systems in Europe continued to decline, particularly in France, Germany and Italy, Unisys said.

Although the company has seen stronger demand among its European customers for desktop computers, these products carry a lower profit margin.

"The net result of this situation is lower sales margins and profits," said Mr James Unruh, chairman and chief executive. In March, Unisys appointed Mr Malcolm Coster, a former Coopers and Lybrand consultant, to head its European operations.

Mr Unruh said the new executive was "taking steps to focus the business on growth opportunities and improve programme execution". Unisys aims in particular to expand its services and systems integration businesses.

"While European orders in the second quarter may be up, year over year, and the rate of revenue decline is slowing, a meaningful business recovery is not yet under way. We will not plan on a positive turn in our European business until the fourth quarter at the earliest, which is later than we expected at the beginning of the year," said Mr Unruh.

Unisys said revenues from its services and systems integration grew strongly in the first quarter, in Europe and elsewhere, and the trend was expected to continue.

However, the company noted that in the services business revenues were spread over the period of long-term contracts.

Sales in the US and other international markets continued to grow and were expected to exceed last year's second-quarter and first-half figures, it added.

Digital revises shake-up plan

By Louise Kehoe

Digital Equipment is not ready to unveil a broad restructuring this month as planned. Instead, the struggling computer company will announce cost reductions as they occur over the coming months.

Mr Robert Palmer, president and chief executive, has told senior managers in a memo "that some work remains to be done, so it is premature to discuss our detailed plans and subsequent actions. We will make announcements when we are ready to do so."

Last month he said that about 20 per cent of the company's workforce, or about 20,000 jobs, had to be cut if the company was to become cost competitive in the computer industry. His statement followed Digital's third-quarter results with heavier-than-expected losses that revealed weaknesses in management systems and a continuing decline in profit margins.

Losses widened to $183m, from $30m in the same period last year. Revenues for the quarter declined 6 per cent to $3.26bn.

Yesterday, Digital said that the scale of the downsizing reduction plan was unchanged. "This is a complex process and it will be conducted in an orderly fashion," the company said.

In his letter to senior managers, Mr Palmer said the board of directors "unanimously supports our direction and progress".

However, the delay in announcing detailed restructuring plans appears likely to increase concern both within the company and among investors about future cuts.

Ferfin sues auditors for L650bn

By Robert Graham in Rome

Ferruzzi Finanziaria (Ferfin), the listed holding company of the collapsed Ferruzzi group, yesterday announced it was bringing a L650bn ($401m) damages suit against auditors Price Waterhouse.

The claim relates to the alleged negligent role played by the auditors in presenting accounts from 1987 to 1992 that failed to give a true picture of Ferfin's accounts.

It follows an earlier claim against Price Waterhouse lodged in April for damages of L1,000bn for the negligent preparation of the Montedison group accounts.

Montedison is the principal subsidiary of Ferfin.

Last November, Ferfin shareholders voted to take legal action for damages against Price Waterhouse.

However, the size of these two claims is bigger than anticipated and in the case of Montedison it covers accounts prepared by Price Waterhouse from 1983 to 1992.

Price Waterhouse has filed a counter-claim against Montedison taking the view that the previous management should be held responsible for "deliberate and systematic fraud" rather than the accountants. The company was not available for comment last night but is expected to pursue the same robust line over the latest claim.

COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Bulls in the driving seat at the LME

Bullish speculators were active in nearly all London's leading commodity markets this week.

At the London Metal Exchange highs were reached by aluminium (3-year), copper (21-month) and lead (20-month); the North Sea oil price spiked above $17 a barrel for the first time since last September; and London Commodity Exchange robusta coffee futures briefly touched 7½-year highs. One disappointment, however, was gold's relatively lacklustre response to deepening concern about the situation on the Korean peninsular.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	-7,300	to 2,854,225
Aluminium alloy	-440	to 30,620
Copper	-8,600	to 360,650
Lead	+450	to 359,575
Nickel	+24	to 131,934
Zinc	+75	to 1,192,150
Tin	+325	to 30,140

Copper's climb, which peaked yesterday morning when the three months delivery position touched $2,454 a tonne, added $61.50 to the $500 rally that began in mid-April. It continued to be fuelled by US investment fund buying, encouraged by the improving fundamentals for the metal.

Aluminium's fundamental's are also perceived to be improving. Although LME warehouse stock remain at a near-record level a sustained drawdown is widely expected to begin soon as a result of the voluntary production cuts agreed by leading producing countries at a meeting in Brussels in January. This trend is also likely to be helped by increased demand for the metal by car manufacturers and builders.

After being towed higher in copper's wake LME aluminium prices began to strengthen on their own account last week. And that performance was sustained as the market burst through successive resistance areas this week. At yesterday's close three months metal reached $1,470.50 a tonne, adding $64.25 to last week's $50 advance. A $26 rise yesterday was encouraged by news of a strike call at Norway's Elkem, which produces 20,000 tonnes a year at its two smelters.

Lead's strength of late has been attributed chiefly to anticipation of increased buying by car battery manufacturers in preparation for the northern hemisphere winter. A further boost was given on Thursday, however, when Metaleurop, a Preussag subsidiary, announced that it planned to halt primary supply for two months to help reverse the recent heavy build-up in stocks. That should take about 30,000 tonnes out of the market. The news contributed to a $7.25 rise yesterday that left the three months LME price $19.50 up on the week at $559.75 a tonne.

The oil market had several bullish factors to feed off. The Organisation of Petroleum Exporting Countries decided at its Vienna meeting this week to keep its production ceiling unchanged and cancel the scheduled September meeting. That bolstered confidence in the cartel's determination to keep output under control while it awaited an expected pick up in demand. Short term demand has been increased, meanwhile, by supply bottlenecks in the US. With the North Korean situation spicing the dish the August futures position at London's International Petroleum Exchange jumped to a peak of $17.06 a barrel on Thursday before edging back.

Coffee futures were all over the place this week. The LCE's September position traded in a $290 range before closing yesterday at $2,335 a tonne, up $187 on balance, but $155 off the high. The market got off to a flying start, buoyed by a US Department of Agriculture forecast that 1994-95 world output would be down 4 per cent at 90.6m bags (60kg each). The buying that encouraged continued – though somewhat erratically – until the price peaked early on Thursday.

Richard Mooney

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1994 High	1994 Low
Gold per troy oz. *	$388.20	+4.70	$372.25	$396.50	$369.50
Silver per troy oz *	365.50p	+9.00	293.50p	384.50p	335.50p
Aluminium 99.7% (cash) *	$1441.5	+60.0	$1204.75	$1441.50	$1107.50
Copper Grade A (cash) *	$2437.5	+85.5	#1246.25	$2437.50	$1731.50
Lead (cash) *	$543.0	+19.5	$273.5	$543.5	$426.0
Nickel (cash) *	$6445.0	+20.0	$5625.0	$6445	$5210.0
Zinc SHG (cash) *	$984.5	+16.0	$949.5	$1014	$900.5
Tin (cash) *	$5590.0	-25.0	$5240.0	$5650.0	$4730.0
Cocoa Futures Sep	£1036	+41	£715	£1036	£859
Coffee Futures Sep	$2334	+186	$930	$2334	$1175
Sugar (LDP Raw)	$309.4	+16.6	$277.50	$309.4	$252.9
Barley Futures Nov	£100.25	+1.90	£107.25	£100.25	£92.65
Wheat Futures Sep	£102.15	+2.15	£134.50	£117.60	£97.80
Cotton Outlook A index *	86.55c	+0.10	58.25c	87.10c	62.45c
Wool (64s Super) *	422p	-4	357p	428p	342p
Oil (Brent Blend)	$17.16x	-	$17.45	$17.16	$13.16

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x Aug

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

[illegible]

PRECIOUS METALS

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

[illegible]

Precious Metals continued

[illegible]

ENERGY

[illegible]

GRAINS AND OIL SEEDS

[illegible]

	Close	Prev				
BFI	1311	1316				

Spices
Black pepper prices continued firm in Europe while white pepper's stabilised, reports Man Producten. The black ASTA grades were steady in most origins, like Indonesia, India, Malaysia and Brazil. Prices for the faq grades again went up considerably. Malaysia and Vietnam were out of the market as local prices were very high. In the US spot black pepper remained at 86 cents a pound; June-July shipment was at 85 cents. In Europe the faq grade increased further to $1,700 a tonne. Grade 1 was traded at $1,775 a tonne, spot Rotterdam. White pepper prices improved slightly in Europe. Muntok faq spot Rotterdam was at $2,950 a tonne, with June/July shipment at $2,875, cif. Markets for other spices were generally unchanged.

SOFTS

[illegible]

ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jul	89.50	+0.50	90.00	88.00	7,731	1,944
Sep	92.25	-1 20	92.70	90.50	9,496	1,692
Nov	94.75	-0.35	94.75	93.00	1,953	218
Jan	96.55	-0.65	96.90	96.20	3,190	190
Mar	98.50	-0.20	98.85	97.50	1,300	68
May	100.95	+0.25	100.95	100.00	51	1
Total					23,913	4,108

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

REUTERS (Base: 18/9/31=100)

June 17	June 16	month ago	year ago
2029.4	2032.0	1875.2	1665.0

CRB Futures (Base: 4/9/56=100)

June 16	June 15	month ago	year ago
237.28	235.61	230.98	205.58

MEAT AND LIVESTOCK

[illegible]

LONDON TRADED OPTIONS

[illegible]

LONDON SPOT MARKETS

[illegible]

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	98.4700	+0.410	9.23	8.85	8.39
Belgium		7.250	04/04	94.3000	-	8.11	7.71	7.43
Canada *		6.500	06/04	82.7000	-0.400	9.19	8.66	8.29
Denmark		7.000	12/04	90.7500	+0.050	8.35	7.83	7.30
France	BTAN	8.000	05/98	103.1250	-0.250	7.08	6.61	6.09
	OAT	5.500	04/04	84.6700	-0.910	7.78	7.18	6.78
Germany Treuhand		6.750	05/04	97.2900	+0.320	7.14	6.90	6.55
Italy		8.500	01/04	86.6500	-1.030	10.77†	9.67	9.13
Japan	No 119	4.800	06/99	104.5170	-0.890	3.73	3.44	3.26
	No 164	4.100	12/03	97.9230	-1.460	4.41	4.13	3.72
Netherlands		5.750	01/04	89.9000	-0.080	7.24	6.92	6.62
Spain		10.500	10/03	99.7000	-0.200	10.53	9.88	9.40
UK Gilts		6.000	08/99	90-22	-2/32	8.26	8.04	7.59
		6.750	11/04	87-04	-3/32	8.64	8.36	7.86
		9.000	10/08	102-31	+4/32	8.63	8.44	7.96
US Treasury *		7.250	05/04	100-26	-5/32	7.12	7.00	7.04
		6.250	08/23	88-00	-10/32	7.43	7.29	7.32
ECU (French Govt)		6.000	04/04	85.8000	-0.160	8.15	7.71	7.16

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

[illegible]

BOND FUTURES AND OPTIONS

[illegible]

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
[illegible]	2-51	3-03	2-01	3-17
[illegible]	2-18	2-38	2-30	3-52
[illegible]	1-51	2-13	3-01	4-27

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change
Jun	104-31	105-03	+0-09
Sep	103-31	104-05	+0-10
Dec	103-15	103-16	+0-07

FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

FT FIXED INTEREST INDICES

[illegible]

GILT EDGED ACTIVITY INDICES

[illegible]

UK GILTS PRICES

[illegible]

ECONOMIC DIARY – FORWARD EVENTS

TODAY: National savings results (May).

TOMORROW: Polish local elections.

MONDAY: Building societies monthly figures (May). Provisional estimates of M4 and counterparts (May). Major British banking groups' monthly statement (end-May). The Economist holds conference "The Second Roundtable" in Havana (until June 22). European Union internal market and agriculture councils meet in Luxembourg. Financial Times holds conference "European Telecommunications - Responding to Change" at the Hotel Inter-Continental in London (until June 21). Wimbledon Lawn Tennis Championships (until July 3).

TUESDAY: Balance of trade with countries outside the EU (May). Cross border acquisitions and mergers (first quarter). US trade figures (April); budget deficit (May). Sino-UK talks in Hong Kong (until July 23).

WEDNESDAY: Institutional investment (first quarter). International banking statistics (first quarter). Mr Derek Keys, South Africa's finance minister, presents national budget. European Union industry and social affairs ministers meet in Luxembourg. RMT signalmen expected to hold second one-day strike over pay.

THURSDAY: Engineering sales and orders at current and constant prices (April). Earnings and hours of agricultural and horticultural workers (first quarter). Price of agricultural land in Wales (first quarter). US durable goods (May). Annual Bundesbank council meeting in Potsdam. KPMG Peat Marwick statement on trends in international fraud. TSB Group results.

FRIDAY: CBI monthly trends enquiry (June). Quarterly national accounts (first quarter). United Kingdom balance of payments (first quarter). Capital expenditure (first quarter-revised). Stocks and work in progress (first quarter-revised). European Union holds summit in Corfu (until June 25). Global Forum '94 holds follow-up conference to Rio earth summit entitled "Cities and Sustainable Development" in Manchester.

CURRENCIES AND MONEY

MARKETS REPORT

Dollar dives

The dollar crashed through its technical support level of DM1.6270 in late trading yesterday when an independent forecaster said it could drop to DM1.50 against the D-Mark by late 1995, *writes Motoko Rich*.

Within half an hour of the European markets closing, the dollar dropped nearly two pfennigs, bringing the day's fall almost three pfennigs in very light trading.

The US currency had attempted a rally earlier in the day. But concerns about Federal Reserve Board monetary policy and a jittery Treasury market put the market in a bearish mood.

The lira was hardest hit in Europe as the European bond markets were routed. The D-Mark benefitted from a flight of investors to cash.

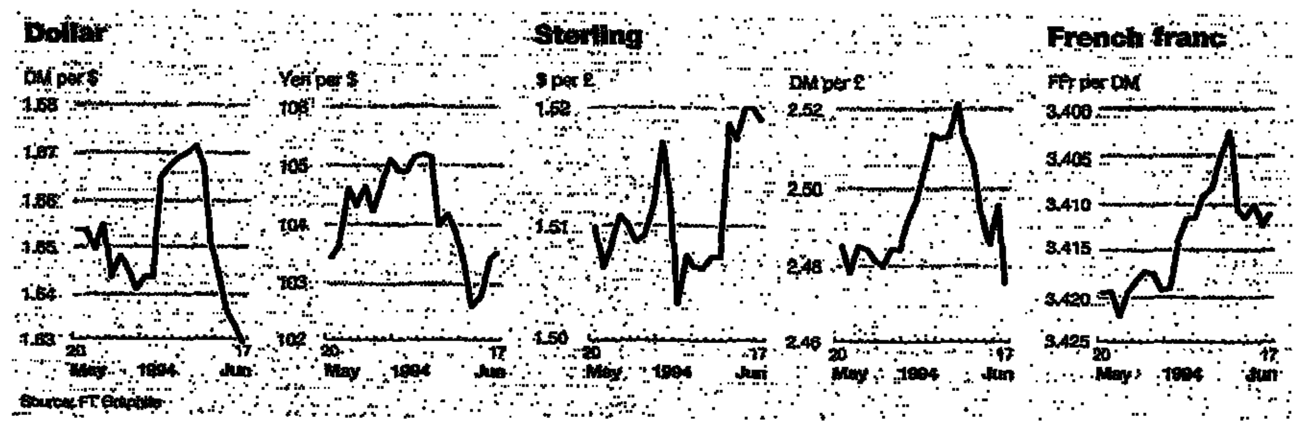
■ Markets had already built up a downward momentum against the dollar when the US currency extended its losses on reports that an economist at the Conference Board, an independent think tank in New York, saw the potential for a ten per cent depreciation of the dollar against the D-Mark by late 1995.

Although the precipitous drop was unusual given a lack of hard news, Mr Adrian Cunningham, senior currency economist, said the markets were just following a normal interbank trading pattern.

■ **Pound in New York**

Jun 17	—Latest—	— Prev. close —
£ spot	1.5300	1.5200
1 mth	1.5293	1.5192
3 mth	1.5279	1.5180
1 yr	1.5219	1.5120

"It was a conspiracy of circumstances combined with already bearish sentiment," he said. "The headline came out at 4:30 on a Friday afternoon in Europe on a day in which there had been very little trading so the market reacted dramatically."



In the morning the US currency had attempted to retrieve losses made earlier in the week. Short covering after the Swiss national bank sold francs on the forward markets gave the dollar a brief boost but by early afternoon it was slipping back.

The dollar was quoted at DM1.6070 in after-hours dealings in London after closing at DM1.6299, down from DM1.6319. It closed at Y103.495 from Y103.335.

■ European bond market weakness hit the lira particularly hard as Italian bonds plunged on fears over Italy's swelling budget deficit and concerns about the debilitating cost of the country's constitutional court decision on pension payments.

The D-Mark was the main beneficiary of bond market gloom, holding steady against most European crosses. "Investors are generally pursuing risk reduction and flying into the relative safety of the D-Mark," said Mr Avinash Persaud, economist at JP Morgan in London.

The German currency closed against the lira at L988.8 from L981.0. It was virtually unchanged against the Danish krone and the French franc.

■ Sterling followed the dollar's late trading fall, losing nearly two pfennigs against the D-Mark to sell at DM2.4610/20 compared its close in London of DM2.4765 and DM2.4805 on Thursday. It had closed at $1.5195 against the dollar, from $1.5201.

In the UK money markets, the Bank of England provided liquidity of £367m after forecasting a shortage of £350m.

In the futures market, the December Euromark contract ended unchanged at 94.81 and the December short sterling contract closed 93.75 from 93.76.

■ **OTHER CURRENCIES**

Jun 17	£	$
Hungary	156.730 - 156.975	103.180 - 103.280
Iran	2655.00 - 2683.00	1748.00 - 1750.00
Kuwait	0.4511 - 0.4526	0.2970 - 0.2978
Poland	34314.2 - 34380.1	22580.0 - 22620.0
Russia	2978.74 - 2987.34	1961.00 - 1966.00
U.A.E.	5.5930 - 5.6081	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jun 17		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.4821	+0.0403	731 - 910	17.5247	17.4317	17.4783	0.3	17.4727	0.2	-	-	114.0
Belgium	(BFr)	50.9828	-0.0604	473 - 382	51.2140	50.9473	50.9828	0.2	51.0278	-0.3	50.9078	0.2	115.6
Denmark	(DKr)	9.7055	-0.0175	988 - 122	9.7450	9.6988	9.7132	-1.0	9.7269	-0.9	9.741	-0.4	115.8
Finland	(FM)	8.2834	-0.0768	523 - 745	8.3650	8.2523	-	-	-	-	-	-	80.6
France	(FFr)	8.4489	-0.0155	440 - 537	8.4970	8.4440	8.4528	-0.5	8.4586	-0.5	8.4407	0.1	109.1
Germany	(DM)	2.4765	-0.004	752 - 777	2.4949	2.4465	2.4763	0.1	2.4758	0.1	2.4586	0.7	124.5
Greece	(Dr)	374.241	-1.212	826 - 655	375.671	373.647	-	-	-	-	-	-	-
Ireland	(I£)	1.0186	-0.0018	176 - 195	1.0243	1.0176	1.0189	-0.4	1.0198	-0.5	1.0204	-0.2	104.4
Italy	(L)	2435.68	+2.84	458 - 678	2443.71	2433.63	2441.48	-2.9	2453.13	-2.9	2497.28	-2.5	76.7
Luxembourg	(LFr)	50.9828	-0.0604	473 - 382	51.2140	50.9473	50.9828	0.2	51.0278	-0.3	50.9078	0.2	115.6
Netherlands	(Fl)	2.7787	-0.0007	775 - 799	2.7902	2.7764	2.7786	0.1	2.7793	-0.1	2.7599	0.7	119.5
Norway	(NKr)	10.7563	-0.0245	516 - 610	10.8160	10.7516	10.7507	0.6	10.7632	-0.3	10.7544	0.0	86.0
Portugal	(Es)	257.471	-0.254	167 - 775	258.694	257.167	258.446	-4.5	260.391	-4.5	-	-	-
Spain	(Pta)	205.068	-0.127	969 - 167	205.904	204.989	205.578	-2.9	206.523	-2.8	209.708	-2.3	84.8
Sweden	(SKr)	11.9042	-0.0505	950 - 134	11.9981	11.8950	11.9272	-2.3	11.9822	-1.9	12.0602	-1.3	74.9
Switzerland	(SFr)	2.0824	-0.0024	810 - 838	2.0957	2.0792	2.0813	0.7	2.0786	0.7	2.0571	1.2	119.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.0
Ecu	-	1.2885	-0.0013	878 - 891	1.2943	1.2878	1.2895	-0.9	1.2856	0.9	1.2909	-0.2	-
SDR	-	0.937146	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5167	-	161 - 172	1.5179	1.5126	-	-	-	-	-	-	-
Brazil	(Cr)	3522.26	+62.02	119 - 332	3523.32	3452.00	-	-	-	-	-	-	-
Canada	(C$)	2.1109	-0.0068	099 - 119	2.1139	2.1039	2.1129	-1.1	2.1187	-1.5	2.1469	-1.7	86.2
Mexico	(New Peso)	5.1152	+0.004	099 - 205	5.1205	5.1099	-	-	-	-	-	-	-
USA	($)	1.5195	-0.0006	190 - 199	1.5217	1.5182	1.5187	0.6	1.5174	0.6	1.5118	0.5	64.9
Pacific/Middle East/Africa													
Australia	(A$)	2.0688	-0.0105	675 - 701	2.0793	2.0643	2.0681	0.4	2.0665	0.4	2.0656	0.2	-
Hong Kong	(HK$)	11.7449	-0.0074	407 - 491	11.7627	11.7211	11.7368	0.8	11.733	0.4	11.7598	-0.1	-
India	(Rs)	47.6633	-0.0188	434 - 831	47.7320	47.5870	-	-	-	-	-	-	-
Japan	(Y)	157.256	+0.181	171 - 340	157.810	156.920	156.886	2.8	156.091	3.0	152.231	3.2	185.1
Malaysia	(M$)	3.9419	-0.0095	400 - 438	3.9523	3.9366	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5669	-0.0154	650 - 687	2.5787	2.5606	2.5682	0.3	2.5696	-0.4	2.5763	-0.4	-
Philippines	(Peso)	41.1772	-0.0162	611 - 933	41.5097	40.8611	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6989	-0.0022	970 - 008	5.7070	5.6870	-	-	-	-	-	-	-
Singapore	(S$)	2.3301	-0.0012	286 - 315	2.3331	2.3263	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5464	+0.0217	436 - 492	5.5524	5.5263	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.2326	-0.0105	153 - 499	7.2499	7.2067	-	-	-	-	-	-	-
South Korea	(Won)	1227.34	+1.65	659 - 808	1228.62	1225.09	-	-	-	-	-	-	-
Taiwan	(T$)	41.1064	-0.0136	927 - 201	41.1866	41.0200	-	-	-	-	-	-	-
Thailand	(Bt)	38.2294	-0.0075	029 - 559	38.2660	38.1780	-	-	-	-	-	-	-

†SDR rate for Jun 16. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.5056	+0.031	030 - 080	11.5390	11.4670	11.511	-0.6	11.52	-0.5	11.4605	0.5	103.6
Belgium	(BFr)	33.5600	-0.0265	400 - 800	33.7200	33.5400	33.585	-0.9	33.63	-0.8	33.675	-0.3	105.0
Denmark	(DKr)	6.3875	-0.009	850 - 900	6.4182	6.3845	6.396	-1.6	6.4165	-1.8	6.46	-1.1	104.6
Finland	(FM)	5.4384	-0.0484	327 - 441	5.5043	5.4327	5.4426	-0.9	5.4554	-1.3	5.5199	-1.5	74.9
France	(FFr)	5.5605	-0.008	589 - 620	5.5885	5.5589	5.566	-1.2	5.5748	-1.0	5.5374	0.4	105.5
Germany	(D)	1.6299	-0.002	295 - 302	1.6395	1.6290	1.6309	-0.7	1.6317	-0.4	1.6264	0.2	105.6
Greece	(Dr)	246.300	-0.7	100 - 500	247.400	245.950	247.65	-6.6	248.5	-3.6	250.8	-1.8	66.8
Ireland	(I£)	1.4919	+0.0022	909 - 928	1.4928	1.4819	1.4905	1.1	1.4879	1.1	1.4812	0.7	-
Italy	(L)	1605.00	+2.5	275 - 325	1607.50	1602.75	1607.65	-3.5	1618.75	-3.4	1652	-3.1	77.2
Luxembourg	(LFr)	33.5600	-0.0265	400 - 800	33.7200	33.5400	33.585	-0.9	33.63	-0.8	33.675	-0.3	105.0
Netherlands	(Fl)	1.8288	+0.0003	285 - 290	1.8383	1.8255	1.8299	-0.7	1.831	-0.5	1.825	0.2	104.7
Norway	(NKr)	7.0791	-0.0133	781 - 801	7.1200	7.0761	7.0841	-0.8	7.0991	-1.1	7.0066	1.0	96.0
Portugal	(Es)	169.450	-0.1	300 - 600	170.250	169.300	171.105	-11.7	173.525	-9.6	177.8	-4.9	92.7
Spain	(Pta)	134.975	-0.03	950 - 000	135.570	134.850	135.365	-3.5	136.11	-3.4	138.725	-2.8	80.1
Sweden	(SKr)	7.8348	-0.0301	308 - 383	7.8917	7.8308	7.8526	-2.8	7.8841	-2.5	8.0171	-2.3	80.0
Switzerland	(SFr)	1.3705	-0.001	700 - 710	1.3800	1.3667	1.3705	0.0	1.3699	0.2	1.3608	0.7	108.0
UK	(£)	1.5195	-0.0006	190 - 199	1.5217	1.5182	1.5187	0.6	1.5174	0.6	1.5118	0.5	88.7
Ecu	-	1.1793	+0.0007	790 - 795	1.1795	1.1727	1.1778	1.5	1.175	1.5	1.1874	-0.7	-
SDR	-	1.42596	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9982	+0.0004	981 - 982	0.9984	0.9981	-	-	-	-	-	-	-
Brazil	(Cr)	2318.12	+41.72	810 - 813	2318.25	2318.05	-	-	-	-	-	-	-
Canada	(C$)	1.3893	-0.0039	890 - 895	1.3900	1.3860	1.3914	-1.8	1.3965	-2.1	1.4196	-2.2	82.4
Mexico	(New Peso)	3.3665	+0.004	640 - 690	3.3730	3.3640	3.3675	-0.4	3.3693	-0.3	3.3767	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	99.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3616	-0.0063	611 - 620	1.3680	1.3602	1.3619	-0.3	1.3621	-0.1	1.3658	-0.3	88.3
Hong Kong	(HK$)	7.7297	-0.0018	292 - 302	7.7308	7.7292	7.7292	0.1	7.7317	-0.1	7.7459	-0.2	-
India	(Rs)	31.3688	-	650 - 725	31.3725	31.3650	31.4488	-3.1	31.5938	-2.9	-	-	-
Japan	(Y)	103.495	+0.16	470 - 520	103.800	103.250	103.305	2.2	102.87	2.4	100.695	2.7	146.6
Malaysia	(M$)	2.5943	-0.0052	938 - 948	2.5985	2.5925	2.5868	3.5	2.5833	1.7	2.6143	-0.8	-
New Zealand	(NZ$)	1.6893	-0.0095	886 - 900	1.6952	1.6872	1.6911	-1.3	1.6957	-1.5	1.7174	-1.7	-
Philippines	(Peso)	27.1000	-	000 - 000	27.3000	26.9000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	+0.0001	505 - 508	3.7508	3.7505	3.7513	-0.2	3.7533	-0.3	3.766	-0.4	-
Singapore	(S$)	1.5335	-0.0002	330 - 340	1.5350	1.5328	1.5328	0.6	1.5325	0.3	1.5345	-0.1	-
S Africa (Com.)	(R)	3.6503	+0.0156	495 - 510	3.6590	3.6345	3.6658	-5.1	3.6941	-4.8	3.7708	-3.3	-
S Africa (Fin.)	(R)	4.7600	-0.005	500 - 700	4.7700	4.7500	4.7937	-8.5	4.8525	-7.8	-	-	-
South Korea	(Won)	807.750	+1.4	500 - 000	808.000	806.700	810.75	-4.5	814.25	-3.2	832.75	-3.1	-
Taiwan	(T$)	27.0535	+0.0017	525 - 545	27.0545	27.0525	27.0735	-0.9	27.1135	-0.9	-	-	-
Thailand	(Bt)	25.1600	+0.005	500 - 700	25.1700	25.1500	25.2325	-3.5	25.36	-3.2	25.84	-2.7	-

†SDR rate for Jun 16. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 16. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

June 17		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.03	16.57	4.858	1.998	4777	5.450	21.10	505.0	402.2	23.34	4.083	1.961	4.140	2.979	308.3	2.526
Denmark	(DKr)	52.54	10	8.706	2.551	1.050	2510	2.863	11.09	265.3	211.3	12.26	2.145	1.030	2.175	1.565	162.0	1.327
France	(FFr)	60.35	11.49	10	2.931	1.206	2883	3.289	12.74	304.8	242.8	14.08	2.464	1.184	2.499	1.798	186.1	1.524
Germany	(DM)	20.59	3.920	3.412	1	0.412	983.8	1.122	4.346	104.0	82.84	4.806	0.841	0.404	0.853	0.613	63.49	0.520
Ireland	(I£)	50.04	9.524	8.291	2.430	1	2391	2.727	10.56	252.7	201.3	11.68	2.043	0.981	2.072	1.491	154.3	1.264
Italy	(L)	2.093	0.398	0.347	0.102	0.042	100.	0.114	0.442	10.57	8.420	0.489	0.085	0.041	0.087	0.062	6.453	0.053
Netherlands	(Fl)	18.35	3.492	3.040	0.891	0.367	876.6	1	3.872	92.66	73.80	4.282	0.749	0.360	0.760	0.547	56.57	0.463
Norway	(NKr)	47.39	9.020	7.852	2.301	0.947	2264	2.583	10	239.3	190.6	11.06	1.935	0.929	1.962	1.412	146.1	1.197
Portugal	(Es)	19.80	3.769	3.281	0.962	0.396	946.0	1.079	4.179	100.	79.65	4.621	0.809	0.388	0.820	0.590	61.05	0.500
Spain	(Pta)	24.86	4.732	4.119	1.207	0.497	1188	1.355	5.246	125.5	100.	5.802	1.015	0.488	1.029	0.741	76.65	0.628
Sweden	(SKr)	42.85	8.155	7.100	2.081	0.856	2047	2.335	9.042	216.4	172.4	10	1.750	0.840	1.774	1.276	132.1	1.082
Switzerland	(SFr)	24.49	4.661	4.058	1.189	0.489	1170	1.335	5.168	123.7	98.51	5.716	1	0.480	1.014	0.730	75.50	0.619
UK	(£)	50.99	9.705	8.449	2.476	1.019	2436	2.779	10.76	257.5	205.1	11.90	2.082	1	2.111	1.519	157.2	1.288
Canada	(C$)	24.15	4.597	4.002	1.173	0.483	1154	1.316	5.097	122.0	97.16	5.637	0.986	0.474	1	0.720	74.47	0.610
US	($)	33.57	6.389	5.562	1.630	0.671	1604	1.829	7.084	169.5	135.0	7.834	1.371	0.658	1.390	1	103.5	0.848
Japan	(Y)	324.4	61.74	53.75	15.75	6.482	15496	17.68	68.45	1638	1305	75.70	13.24	6.361	13.43	9.663	1000.	8.193
Ecu		39.59	7.535	6.560	1.922	0.791	1891	2.158	8.354	199.9	159.2	9.239	1.616	0.776	1.639	1.179	122.0	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Jun 17	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.792940	-0.000266	-1.94	5.95	13
Netherlands	2.19672	2.16028	+0.0002	-1.66	5.64	-
Belgium	40.2123	39.6710	-0.0037	-1.35	5.31	10
Germany	1.94964	1.92782	-0.00045	-1.12	5.07	-
France	6.53883	6.57570	-0.00513	0.56	3.31	-5
Denmark	7.43679	7.54951	-0.00716	1.52	2.34	-10
Spain	154.250	159.579	+0.277	3.45	0.42	-24
Portugal	192.854	200.358	+0.084	3.89	0.00	-26
NON ERM MEMBERS						
Greece	264.513	290.999	-0.169	10.01	-5.56	-
Italy	1793.19	1892.11	+6.45	5.52	-1.54	-
UK	0.786749	0.776070	-0.000615	-1.36	5.32	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6126	0.6101	-0.0023	0.6133	0.6092	26,415	68,434
Dec	0.6105	0.6105	-0.0021	0.6105	0.6105	103	1,295
Mar	-	0.6120	-	-	0.6120	7	660

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9745	0.9713	-0.0035	0.9703	0.9703	20,299	53,291
Dec	0.9793	0.9783	-0.0023	0.9783	0.9783	452	2,122
Mar	-	-	-	-	-	-	-

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jul	Aug	Sep	PUTS Jul	Aug	Sep
1.425	8.99	8.93	8.92	-	-	0.11
1.450	6.56	6.60	6.74	-	0.08	0.35
1.475	4.14	4.40	4.76	0.03	0.37	0.79
1.500	2.07	2.55	3.08	0.40	1.01	1.58
1.525	0.67	1.29	1.83	1.50	2.18	2.76
1.550	0.12	0.54	0.98	3.38	3.85	4.38

Previous day's vol., Calls 55,498 Puts 5,426 . Prev. day's open int., Calls 419,448 Puts 357,540

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7304	0.7255	-0.0049	0.7316	0.7246	16,266	45,975
Dec	0.7275	0.7267	-0.0046	0.7275	0.7267	145	802
Mar	-	0.7287	-	-	0.7287	4	3

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5166	1.5150	-0.0034	1.5194	1.5138	6,061	33,347
Dec	-	1.5120	-	-	1.5120	40	271
Mar	-	1.5130	-	-	1.5130	1	15

WORLD INTEREST RATES

MONEY RATES

June 17	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	$5\frac{1}{8}$	$5\frac{1}{4}$	$5\frac{1}{4}$	$5\frac{3}{8}$	$5\frac{5}{8}$	7.40	4.50	-
week ago	$5\frac{1}{4}$	$5\frac{1}{4}$	$5\frac{1}{4}$	$5\frac{3}{8}$	$5\frac{3}{4}$	7.40	4.50	-
France	$5\frac{5}{8}$	$5\frac{1}{2}$	$5\frac{1}{2}$	$5\frac{5}{8}$	$5\frac{7}{8}$	5.30	-	6.75
week ago	$5\frac{1}{2}$	$5\frac{1}{2}$	$5\frac{1}{2}$	$5\frac{5}{8}$	$5\frac{3}{4}$	5.30	-	6.75
Germany	5.00	5.03	5.00	5.00	5.15	6.00	4.50	5.05
week ago	5.03	5.03	5.05	5.05	5.12	6.00	4.50	5.10
Ireland	$5\frac{3}{8}$	$5\frac{1}{4}$	$5\frac{3}{8}$	$5\frac{7}{8}$	$6\frac{1}{4}$	-	-	6.25
week ago	$5\frac{3}{8}$	$5\frac{1}{4}$	$5\frac{3}{8}$	$5\frac{7}{8}$	$6\frac{1}{4}$	-	-	6.25
Italy	$8\frac{1}{4}$	$7\frac{3}{4}$	8	$8\frac{1}{4}$	$8\frac{7}{8}$	-	7.00	7.60
week ago	$7\frac{7}{8}$	$7\frac{7}{8}$	$7\frac{3}{4}$	$7\frac{7}{8}$	$8\frac{1}{4}$	-	7.00	7.60
Netherlands	5.03	4.99	5.01	5.05	5.20	-	5.25	-
week ago	5.08	4.99	5.06	5.08	5.23	-	5.25	-
Switzerland	$4\frac{1}{8}$	$4\frac{3}{8}$	$4\frac{3}{8}$	$4\frac{1}{2}$	$4\frac{3}{4}$	6.625	3.50	-
week ago	$3\frac{7}{8}$	$4\frac{3}{8}$	$4\frac{1}{4}$	$4\frac{3}{8}$	$4\frac{1}{2}$	6.625	3.50	-
US	$4\frac{3}{8}$	$4\frac{1}{2}$	$4\frac{1}{2}$	$4\frac{7}{8}$	$5\frac{3}{8}$	-	3.50	-
week ago	$4\frac{3}{8}$	$4\frac{1}{4}$	$4\frac{1}{2}$	$4\frac{7}{8}$	$5\frac{3}{8}$	-	3.50	-
Japan	$2\frac{3}{8}$	$2\frac{1}{4}$	$2\frac{3}{8}$	$2\frac{3}{8}$	$2\frac{1}{2}$	-	1.75	-
week ago	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{3}{8}$	$2\frac{3}{8}$	$2\frac{1}{2}$	-	1.75	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	$4\frac{3}{8}$	$4\frac{5}{8}$	$4\frac{7}{8}$	$5\frac{1}{4}$	-	-	-
week ago	-	$4\frac{3}{8}$	$4\frac{1}{2}$	$4\frac{7}{8}$	$5\frac{3}{8}$	-	-	-
US Dollar CDs	-	4.18	4.36	4.66	5.24	-	-	-
week ago	-	4.18	4.36	4.69	5.21	-	-	-
SDR Linked Ds	-	$3\frac{1}{2}$	$3\frac{5}{8}$	$3\frac{3}{4}$	4	-	-	-
week ago	-	$3\frac{1}{2}$	$3\frac{5}{8}$	$3\frac{3}{4}$	4	-	-	-

ECU Linked Ds mid rates: 1 mth: $5\frac{3}{16}$; 3 mths: $5\frac{5}{16}$; 6 mths: $5\frac{9}{16}$; 1 year: $6\frac{1}{8}$. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 17	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	$5\frac{1}{8}$ - 5	$5\frac{1}{8}$ - 5	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{7}{16}$ - $5\frac{5}{16}$	$5\frac{7}{8}$ - $5\frac{1}{2}$	$6\frac{3}{8}$ - $5\frac{3}{4}$
Danish Krone	$5\frac{1}{4}$ - 5	$5\frac{3}{4}$ - $5\frac{1}{2}$	6 - $5\frac{3}{4}$	$6\frac{1}{8}$ - $5\frac{7}{8}$	$6\frac{1}{4}$ - 6	$6\frac{1}{4}$ - 6
D-Mark	5 - $4\frac{7}{8}$	5 - $4\frac{7}{8}$	5 - $4\frac{7}{8}$	5 - $4\frac{7}{8}$	$5\frac{1}{16}$ - $4\frac{15}{16}$	$5\frac{1}{4}$ - $5\frac{1}{8}$
Dutch Guilder	5 - $4\frac{13}{16}$	5 - $4\frac{13}{16}$	5 - $4\frac{13}{16}$	5 - $4\frac{13}{16}$	5 - $4\frac{13}{16}$	$5\frac{3}{16}$ - $5\frac{1}{16}$
French Franc	$5\frac{7}{16}$ - $5\frac{5}{16}$	$5\frac{1}{2}$ - $5\frac{3}{8}$	$5\frac{1}{2}$ - $5\frac{3}{8}$	$5\frac{1}{2}$ - $5\frac{3}{8}$	$5\frac{5}{8}$ - $5\frac{1}{2}$	$5\frac{7}{8}$ - $5\frac{3}{4}$
Portuguese Esc.	$15\frac{3}{8}$ - $14\frac{3}{4}$	$16\frac{1}{4}$ - $15\frac{1}{4}$	$17\frac{3}{16}$ - $16\frac{3}{8}$	$15\frac{3}{16}$ - $14\frac{1}{2}$	14 - $13\frac{7}{16}$	$13\frac{1}{8}$ - $12\frac{7}{16}$
Spanish Peseta	$7\frac{7}{16}$ - $7\frac{1}{4}$	$7\frac{3}{4}$ - $7\frac{5}{8}$	$7\frac{13}{16}$ - $7\frac{5}{16}$	$7\frac{13}{16}$ - $7\frac{5}{8}$	$8\frac{1}{16}$ - $7\frac{7}{8}$	$8\frac{5}{8}$ - $8\frac{3}{16}$
Sterling	$4\frac{3}{4}$ - $4\frac{11}{16}$	$4\frac{7}{8}$ - $4\frac{13}{16}$	$4\frac{15}{16}$ - $4\frac{13}{16}$	$5\frac{1}{8}$ - $5\frac{1}{16}$	$5\frac{7}{16}$ - $5\frac{5}{16}$	$6\frac{1}{16}$ - $5\frac{15}{16}$
Swiss Franc	$3\frac{7}{8}$ - $3\frac{1}{4}$	$3\frac{13}{16}$ - $3\frac{11}{16}$	4 - $3\frac{7}{8}$	$4\frac{1}{4}$ - $4\frac{1}{8}$	$4\frac{3}{8}$ - $4\frac{1}{4}$	$4\frac{1}{2}$ - $4\frac{3}{8}$
Can. Dollar	$5\frac{3}{4}$ - $5\frac{1}{2}$	$5\frac{7}{8}$ - $5\frac{5}{8}$	$6\frac{1}{16}$ - $5\frac{13}{16}$	$6\frac{5}{8}$ - $6\frac{1}{4}$	$7\frac{1}{8}$ - $6\frac{7}{8}$	$7\frac{3}{4}$ - $7\frac{1}{2}$
US Dollar	$4\frac{1}{4}$ - $4\frac{1}{8}$	$4\frac{5}{16}$ - $4\frac{3}{16}$	$4\frac{3}{8}$ - $4\frac{5}{16}$	$4\frac{5}{8}$ - $4\frac{1}{2}$	$4\frac{7}{8}$ - $4\frac{3}{4}$	$5\frac{7}{16}$ - $5\frac{5}{16}$
Italian Lira	$8\frac{1}{2}$ - 7	$7\frac{3}{4}$ - $7\frac{1}{4}$	$7\frac{13}{16}$ - $7\frac{11}{16}$	8 - $7\frac{7}{8}$	$8\frac{7}{16}$ - $8\frac{5}{16}$	$8\frac{5}{8}$ - $8\frac{1}{2}$
Yen	$2\frac{3}{16}$ - $2\frac{1}{16}$	$2\frac{3}{8}$ - $2\frac{1}{8}$	$2\frac{3}{16}$ - $2\frac{1}{16}$	$2\frac{3}{16}$ - $2\frac{1}{8}$	$2\frac{3}{8}$ - $2\frac{3}{16}$	$2\frac{5}{8}$ - $2\frac{1}{2}$
Asian $Sing	$3\frac{7}{8}$ - $3\frac{1}{4}$	$3\frac{7}{8}$ - $3\frac{1}{4}$	$4\frac{7}{16}$ - $4\frac{3}{16}$	$4\frac{3}{4}$ - $4\frac{5}{8}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{13}{16}$ - $5\frac{11}{16}$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.45	94.39	-0.04	94.47	94.39	17,753	53,548
Dec	94.22	94.11	-0.06	94.24	94.10	13,544	38,826
Mar	93.90	93.79	-0.08	93.93	93.78	10,480	36,546
Jun	93.57	93.44	-0.08	93.58	93.44	8,332	25,317

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.94	94.91	+0.02	94.96	94.94	105	2320
Dec	94.23	94.19	+0.03	94.25	94.23	30	1835
Mar	94.00	93.98	+0.05	94.00	94.00	5	1061
Jun	93.70	93.68	+0.06	93.72	93.70	12	305

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.06	95.03	-0.01	95.07	95.03	14607	193973
Dec	94.83	94.81	-	94.88	94.79	22720	204752
Mar	94.56	94.52	-0.01	94.60	94.50	20675	203321
Jun	94.18	94.14	-	94.21	94.12	11053	104651

■ **THREE MONTH EUROLIRA INT. RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.77	91.50	-0.21	91.80	91.40	9241	45682
Dec	91.46	91.20	-0.18	91.46	91.13	5949	49673
Mar	91.06	90.77	-0.19	91.10	90.73	1728	12897
Jun	90.61	90.29	-0.24	90.61	90.23	257	8262

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.49	95.50	+0.07	95.53	95.47	3515	30191
Dec	95.22	95.25	+0.08	95.32	95.22	2245	9047
Mar	94.91	94.90	+0.07	94.98	94.90	1338	7415
Jun	94.60	94.53	+0.02	94.65	94.60	420	823

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.15	94.09	-0.03	94.16	94.08	1159	12389
Dec	93.95	93.88	-0.04	93.97	93.86	557	8272
Mar	93.64	93.58	-0.06	93.68	93.55	152	3443
Jun	93.25	93.17	-0.07	93.26	93.16	85	168

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.96	94.95	+0.01	94.97	94.94	102,068	442,817
Dec	94.24	94.25	+0.02	94.26	94.24	196,590	392,138
Mar	94.01	94.02	+0.03	94.03	94.00	92,150	282,951

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.84	95.84	+0.01	95.84	95.83	876	4,481
Sep	95.39	95.39	+0.02	95.39	94.38	1,667	21,241
Dec	94.79	94.78	+0.01	94.79	94.78	106	7,532

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jul	Aug	Sep	Dec	PUTS Jul	Aug	Sep	Dec
9500	0.09	0.12	0.16	0.16	0.06	0.09	0.13	0.35
9525	0.01	0.04	0.06	0.09	0.23	0.26	0.28	0.53
9550	0	0.02	0.03	0.05	0.47	0.49	0.50	0.74

Est. vol. total, Calls 2102 Puts 400. Previous day's open int., Calls 197292 Puts 133495

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9550	0.16	0.16	0.17	0.16	0.41	0.77
9575	0.07	0.08	0.11	0.32	0.58	0.96
9600	0.03	0.04	0.07	0.53	0.79	1.17

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 275 Puts 1575

UK INTEREST RATES

LONDON MONEY RATES

Jun 17	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	$4\frac{1}{2}$ - $3\frac{1}{2}$	$4\frac{13}{16}$ - $4\frac{5}{8}$	$4\frac{13}{16}$ - $4\frac{11}{16}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{7}{16}$ - $5\frac{5}{16}$	$6\frac{1}{16}$ - $5\frac{15}{16}$
Sterling CDs	-	-	$4\frac{25}{32}$ - $4\frac{23}{32}$	$5\frac{1}{16}$ - 5	$5\frac{13}{32}$ - $5\frac{1}{4}$	6 - $5\frac{7}{8}$
Treasury Bills	-	-	$4\frac{25}{32}$ - $4\frac{23}{32}$	$4\frac{7}{8}$ - $4\frac{13}{16}$	-	-
Bank Bills	-	-	$4\frac{27}{32}$ - $4\frac{25}{32}$	$4\frac{31}{32}$ - $4\frac{29}{32}$	$5\frac{1}{4}$ - $5\frac{3}{16}$	-
Local authority deps.	$5\frac{3}{4}$ - $5\frac{5}{8}$	$4\frac{13}{16}$ - $4\frac{11}{16}$	5 - $4\frac{13}{16}$	$5\frac{1}{8}$ - $5\frac{1}{16}$	$5\frac{3}{8}$ - $5\frac{3}{16}$	$6\frac{1}{16}$ - $5\frac{15}{16}$
Discount Market deps	$4\frac{1}{2}$ - $3\frac{3}{4}$	$4\frac{7}{16}$ - $4\frac{5}{8}$	-	-	-	-

UK clearing bank base lending rate $5\frac{1}{4}$ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	$1\frac{1}{2}$	4	$3\frac{3}{4}$	$3\frac{3}{4}$	$3\frac{1}{2}$

Certs of Tax dep. under £100,000 is $1\frac{1}{2}$pc. Deposits withdrawn for cash $\frac{1}{2}$pc.
Ave. tender rate of discount 4.6735pc. ECGD fixed rate Stlg. Export Finance. Make up day May 31, 1994. Agreed rate for period Jun 26, 1994 to Jul 25, 1994, Schemes II & III 6.47pc. Reference rate for period Apr 30, 1994 to May 31, 1994, Schemes IV & V 5.222pc. Finance House Base Rate $5\frac{1}{2}$pc from June 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.38	94.37	+0.02	94.40	94.34	10188	110535
Dec	93.82	93.75	-0.01	93.83	93.73	15936	148263
Mar	93.13	93.06	+0.01	93.14	93.04	5636	61181
Jun	92.52	92.45	-0.01	92.52	92.42	2741	45633

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9425	0.23	0.15	0.10	0.11	0.65	1.27
9450	0.09	0.09	0.06	0.22	0.84	1.48
9475	0.03	0.05	0.03	0.41	1.05	1.70

Est. vol. total, Calls 7260 Puts 6150. Previous day's open int., Calls 164429 Puts 161310

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25	● Members of British Merchant Banking & Securities Houses Association	
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25	* In administration	
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
Cl. Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Gross CAR	Int Cr
CAF Money Management Co Ltd 48 Pembury Road, Tonbridge TN9 2JD 0732 770114				
Calicash Deposit Fund	4.55	-	4.62	3-Mth
Deposits Over £1 million	4.65	-	4.73	3-Mth
Deposits Over £2 million	4.75	-	4.83	3-Mth
The COIF Charities Deposit Account 2 Fore Street, London EC2Y 5AQ 071-588 1815	4.75	-	4.84	3-Mth
Cent. Bd. of Fin. of Church of England 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	4.90	-	4.98	3-Mth

Money Market Bank Accounts

	Gross	Net	Gross CAR	Int Cr
Aitken Hume Bank plc 30 City Road, London EC1Y 2AY. 071-638 6070				
Treasury Account – for professional advisers				
£25,000-£49,999	4.75	3.5625	4.85	Mth
£50,000 or more	5.00	3.75	5.12	Mth
Monthly Inc Acc – for personal and business clients				
Up to £9,999	3.25	2.4375	3.30	Mth
£10,000 – £24,999	4.00	3.00	4.07	Mth
£25,000 – £49,999	4.50	3.375	4.59	Mth
£50,000 or more	4.75	3.5625	4.85	Mth
Money Market quotations – please telephone				
Allied Trust Bank Ltd 28 Dowgate Hill, London, EC4R 2AT 071-626 0879				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
American Express Bank Ltd Sussex House, Burgess Hill RH15 9AQ 0444 232444				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Ireland High Interest Cheque Acc 36-40 High St, Slough SL1 1EL 0753 516516				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Scotland 38 Threadneedle St, EC2P 2EH 071-601 6446				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays Select PO Box 120, Westwood Bs Pk, Coventry 0800 400100				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays Prime Account H.I.C.A. PO Box 125, Northampton 0604 252891				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brown Shipley & Co Ltd Founders Court, Lothbury, London EC2 071-606 9833				
HICA	4.00	3.00	4.07	Qtr
Prof Deposit A/c	4.00	3.00	4.07	Qtr
Caledonian Bank Plc 8 St Andrew Square, Edinburgh EH2 2PP 031 556 8235				
HICA	4.75	3.5625	-	Yearly
Cater Allen Ltd 20 Birchin Lane, London EC3V 9DJ 071-623 2070				
HICA	3.75	2.81	3.81	Mth
Fixed £50,000+	4.58	-	4.59	Mth
Overnight £50,000+	3.75	-	3.81	Mth
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH. 071-248 4000				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Many other currencies are available – for rates please phone ext 2169				
Clydesdale Bank Flexible Solution Acc 30 St Vincent Place, Glasgow G1 2HL 041-248 7070				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
The Co-operative Bank PO Box 300, Skelmersdale, Lancs 0345 252000				
TESSA	5.25	-	-	Yearly
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30-90 day notice available Tel 061-829 5528				
Coutts & Co 440 Strand, London WC2R 0QS 071-753 1000				
Coutts Corporate Account for clients money 15 Lombard Street, London EC3V 9AU 071-623 1818				
Rates negotiable up to	4.313	-	-	-
Dao Heng Bank (London) PLC Premier Acc 10 Angel Court, London EC2R 7HP 071-606 1616				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Daventham Tst Plc–Daventham 500 Acc [illegible]				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fidelity Money Market Account Fidelity Brokerage Services Ltd, Kingswood Place, Tadworth Surrey, KT20 6RB				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
£500,000+ Money Market Rates on request				
Halifax Bldg Soc Asset Reserve Cheque Acc Trinity Road, Halifax HX1 2RG 0422 335333				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Julian Hodge Bank Ltd 10 Windsor Place Cardiff CF1 3BX 0222 220800				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Humberclyde Finance Group 5 Bartley Way, Hook, Basingstoke 0256 760000				
£50,000+	5.25	3.94	5.35	Qtr
Leopold Joseph & Sons Limited 29 Gresham Street, London EC2V 7EA 071-588 2323				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kleinwort Benson Ltd [illegible]				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kleinwort Benson Private Bank [illegible]				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lloyds Bank – Investment Account 71 Lombard St, London EC3P 3BS 0272 433372				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Bank plc [illegible]				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nationwide Bldg Soc – Businessinvestor [illegible]				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portman Bldg Soc Prestige Cheque Account Richmond Hill, Bournemouth, BH2 6EP 0800 863683				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rea Brothers Limited, Bankers Aldermans Walk, London EC2M 3XR 071-623 1155				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Bank of Scotland plc Premium Acc 42 St Andrew Sq, Edinburgh EH2 2YE. 031-523 8302				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Save & Prosper/Robert Fleming 16-22 Western Rd, Romford RM1 3LB. 0800 282101				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tyndall Bank plc 29-33 Princess Victoria St, Bristol 0272 744720				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ULC Trust Limited 1 Great Cumberland Pl, London W1H 7AL 071-258 0094				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Dominions Trust Ltd PO Box 62, Herts, EN4 0DY 081-447 2438				
Capital Plus Cheque Account £1,000+	4.75	3.56	4.84	Qtr
J. Henry Schroder Wagg & Co Ltd 120 Cheapside, London EC2V 6DS 071-382 6000				
Special Acc.	3.25	2.44	3.29	Mth
£10,000 and above	3.50	2.63	3.54	Mth
Western Trust High Interest Cheque Acc The Moneycentre, Plymouth PL1 1SE 0752 224141				
£15,000+	4.75	3.56	4.84	Qtr
£5,000-£14,999	4.50	3.38	4.58	Qtr
£1,000-£4,999	4.25	3.19	4.32	Qtr

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ⊕ Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £123½ (14Je94)

Corporation and County Stocks

Birmingham Corp 3½% Stk 1946(or after) - £35½ (13Je94)

Birmingham District Council 11½% Red Stk 2012 - £120 (15Je94)

Bristol(City of) 11½% Red Stk 2008 - £113½ (14Je94)

National Westminster Bank PLC 11½% Und-SubNts £1000(Cnv to Prf)Reg - £106 (15Je94)

National Westminster Bank PLC 11½% Und-SubNts £1000(Cnv to Prf)Br - £104¼ ¼

Nationwide Building Society 6⅛% Nts 1993(Br£ Vars) - £98⅜ (13Je94)

Nationwide Building Society 13.5% Subord Nts 2009 (Br £10000) - £116 (10Je94)

Nationwide Building Society Zero Cpn Nts 1998 (Br £ Var) - £68⅞ (14Je94)

Norway (Kingdom of) 9% Nts 1996(Br ECU5000&100000) - EC103.9 104.07 (10Je94)

UK Public Boards

Commonwealth-Government

Foreign Stocks, Bonds, etc-(coupons payable in London)

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

Leeds Permanent Building Society 11½% Nts 1996 (Br £5000&100000) - £105⅞

Leeds (John) PLC 10⅝% Bds 1996 (Br £10000&100000) - £104⅝

Lloyds Bank PLC 7⅞% Subord Bds 2004(Br£Various) - £97⅛ ⅛ (10Je94)

Lloyds Bank PLC 9½% Subord Bds 2009(Br£ Vars) - £96¼ (14Je94)

Lloyds Bank PLC 9⅝% Subord Bds 2023 (Br £ Var) - £96.95 (13Je94)

Marks & Spencer Finance PLC 7⅞% Gtd Nts 1998 (Br £ Var) - £96⅝ (14Je94)

National Grid Co PLC 7⅞% Bds 1998 (Br £ Var) - £98¾

Allied-Lyons PLC 7½% Cum Prf £1 - 78

Allied-Lyons PLC 5¾% Uns Ln Stk - £59 (13Je94)

Allied-Lyons PLC 7¾% Uns Ln Stk 93/98 - £95½

Allied-Lyons Financial Services PLC6¾% GtdCnvSubordBds2008 RegMult£1000 - £111.94 2

Allnatt London Properties PLC 10½% 1st Mtg Deb Stk 94/99 - £100 (15Je94)

Alvis PLC 5.5% Cnv Cum Non-Vtg Red Prf £1 - 70 3 ½

American Brands Inc Shs of Com Stk $3.125 - $32⅞ 3

Investment Trusts

USM Appendix

Rule 535(2)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Far East Hotels FR1.97⊕(15.6)

Forest Labs $48.897⊕(15.6)

Harland (John H) $22½(14.6)

Kulim Malaysia Ord 87.8(15.6)

Malayan Credit $$3.30(14.6)

Malaysian Plantations 88(14.6)

North Flinders Mines 436.0(13.6)

Oil Search 41(15.6)

Quaker State Corp $15½(15.6)

Seagull Energy Corp $27.2058⊕(15.6)

United Overseas Ltd $$2.19(15.6)

Valiant Cons A$0.427(15.6)

By Permission of the Stock Exchange Council

FT-SE ACTUARIES INDICES

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LONDON STOCK EXCHANGE

MARKET REPORT

Gains reversed after gilts prompt late sell-off

By Terry Byland, UK Stock Market Editor

The UK stock market, encouraged at first by a better tone in global bond markets, turned off in late dealings yesterday when gilt-edged securities fell on the announcement that next week's auction of government securities will be a further tranche of Floating Rate Treasury stock.

The last day of the UK equity trading account was dominated by expiry operations in derivatives markets in London, Frankfurt and New York. Traders ascribed an initial gain of nearly 20 points on the Footsie Index to the traditional book-squaring operations surrounding the expiry, at about 10.20am, of index options and index futures on the London International Financial Futures (LIFFE) market.

The day's peak of 3,049.7 left intact the upper end of the current trading range. Shares drifted lower once the derivatives expiry was out of the way and the Footsie showed a fall of 13.1 at 3,017 as London waited to see if New York would build on its overnight gain.

The FT-SE Index closed a net 7.2 down at 3,022.9, with the Dow Average 8 points off as London traders set off for home. British Petroleum stocks continued to do well on the back of more positive views on oil prices, and both Enterprise Oil and Lasmo, its bid target, strengthened as the market awaited developments.

The broader market, less closely linked to the derivatives expiries, traded easier and the FT-SE Mid 250 Index fell 7.1 to 3,527.1. Seaq business increased to 736.8m shares from 619.8m on Thursday, with non-Footsie stocks making up around 62 per cent of the total – a further indication of the focus on the derivatives-linked blue chips.

The Footsie has fallen by 33 points over a week which has seen investment confidence challenged by domestic and international factors. The Mansion House speeches from the UK chancellor of the exchequer and the governor of the Bank of England failed to unsettle equities in spite of their rejection of early tax cut suggestions and warning that UK base rates will rise later this year.

But renewed uncertainty in world bond markets such as oil and commodity prices has arisen, because at one stage this week international doubts unsettled shares and continued to overhang markets last night.

Over the two-week account which closed last night, the Footsie has risen by about 0.8 per cent, leaving the 3,000 mark still a testing level for market support. UK equities have found it impossible to move far away from this level over the past month.

Government bonds put on more than half a point in early trading yesterday before turning off smartly on the news of a Floating Rate auction, which was seen as an indication that the authorities are as aware as the market of the uncertain mood of the bond market. By the close, long-dated gilts were a net $\frac{3}{8}$ lower, with the shorts just a touch off on the day.

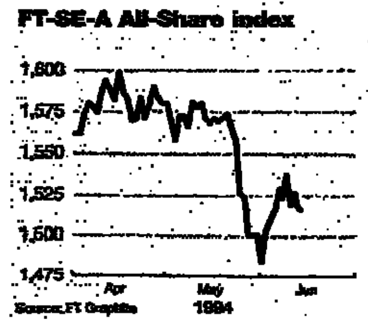
The gilt-edged team at Yamaichi commented to clients that the bond market is "caught in the dual grip" of domestic uncertainty on inflation policy and the global inflation concerns reflected across the broader range of bond markets. Yamaichi believes that the UK market has established a wide trading range consistent with these uncertainties. While confident that gilts will break out higher as investors perceive that inflation concerns have been overdone, Yamaichi sees a downside risk in the near term.

Account Dealing Dates

*First Dealings:	Jun 6	Jun 20	Jul 4
Option Declarations:	Jun 16	Jun 30	Jul 14
Last Dealings:	Jun 17	Jul 1	Jul 15
Account Day:	Jun 27	Jul 11	Jul 25

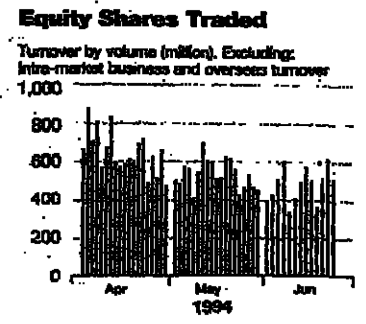
*New time dealings may take place from two business days earlier.

FT-SE-A All-Share index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE Mid 250	3527.1	-7.1
FT-SE-A 350	1523.3	-3.5
FT-SE-A All-Share	*1515.01*	*-3.29*
FT-SE-A All-Share yield	3.89	(3.89)
FT Ordinary index	2373.0	-10.4
FT-SE-A Non Fins p/e	19.32	(19.37)
FT-SE 100 Fut Jun	3013.0	-29.0
10 yr Gilt yield	8.75	(8.74)
Long gilt/equity yld ratio:	2.21	(2.26)

FT-SE 100 Index

Closing index for Jun 17	3022.9
Change over week	-33.0
Jun 16	3030.1
Jun 15	3045.8
Jun 14	3039.6
Jun 13	3016.3
High*	3059.2
Low*	3004.4

*Intra-day high and low for week

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
ASDA Group†	8,500	65¼	+¼	Londis	5,600	128	+½
Abbey National†	1,800	422½	+½	Lucas	2,800	175	-3
Albert Fisher	2,200	53		MEPC†	2,800	416	-8
Allied-Lyons†	1,500	567½	-1½	MFI	5,300	147	+1
Anglian Water	1,400	504½	+2½	Manweb	377	676	-7
Argos	768	338	-2½	Marks & Spencer†	2,400	408	-1½
Argyll Group†	6,700	252		Midlands Elect.	138	580	-2
Arjo Wiggins†	3,400	267½	-6½	Morrison (Wm.)	908	129	+3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volumes for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

EQUITY FUTURES AND OPTIONS TRADING

Dealers reported a dull and uneventful expiry of the June index options and index futures, leaving traders to focus on weaker gilts and early losses on Wall Street, *writes Joel Kibazo.*

The mid-morning expiry in futures saw the June contract finish trading at 3,038 on volume of 6,083 lots. September, the new market leader after June's close, finished at 3,013, at a 5 point discount to cash, on volume of 16,341 lots.

Turnover in traded options was 36,942 contracts, of which 19,758 was dealt in the FT-SE 100 option.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3035.0	3038.5	+13.0	3048.0	3034.0	6083	14645
Sep	3044.0	3013.0	-22.0	3058.0	2995.0	16341	46440
Dec	3058.0	3022.0	-23.5	3058.0	3057.0	251	752

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3540.0	3545.5	+5.5	3550.0	3540.0	267	2144
Sep	3555.0	3525.0	-27.0	3555.0	3530.0	268	3634

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Jun		3545.5	-	-	-		771

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3021) £10 per full index point

	2850 C	P	2900 C	P	2950 C	P	3000 C	P	3050 C	P	3100 C	P	3150 C	P	3200 C	P
[illegible]																

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875	2925	2975	3025	3075	3125	3175	3225
[illegible]								

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3450	3500	3550	3600	3650	3700	3750	3800
[illegible]								

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 31 1993 based on Friday June 17 1994

[illegible]					

FT - SE Actuaries Share Indices — The UK Series

	Jun 17	Day's chge%	Jun 16	Jun 15	Jun 14	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return	1994 High		1994 Low		Since compilation High		Low	
FT-SE 100	[illegible]																		
FT-SE Mid 250	[illegible]																		
FT-SE Mid 250 ex Inv Trusts	[illegible]																		
FT-SE-A 350	[illegible]																		
FT-SE SmallCap	[illegible]																		
FT-SE SmallCap ex Inv Trusts	[illegible]																		
FT-SE-A ALL-SHARE	[illegible]																		

■ FT-SE Actuaries All-Share

	Jun 17	Day's chge%	Jun 16	Jun 15	Jun 14	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return	1994 High		1994 Low		Since compilation High		Low	
10 MINERAL EXTRACTION(18) … 63 Water(13)	[illegible]																		
69 NON-FINANCIALS(631)	1636.07	-0.2	1638.91	1649.39	1651.77	1541.52	3.90	6.26	19.32	23.10	1141.40	1670.38	2/2	1607.75	1/6	1670.38	2/2/94	83.48	13/12/74
70 FINANCIALS(102)	2144.46	-0.1	2147.49	2158.26	2138.89	2017.40	4.21	8.35	13.94	44.73	840.37	2737.13	4/2	2084.82	1/6	2737.13	4/2/94	972.20	23/1/86
71 Banks(10)	2803.44	+0.2	2798.07	2807.82	2773.84	2497.10	3.86	8.27	14.05	59.07	830.27	3801.55	4/2	2625.12	4/5	3801.55	4/2/94	968.68	23/1/86
73 Insurance(17)	1212.35	-0.8	1219.06	1230.40	1221.04	1342.90	5.32	11.88	9.40	28.44	819.73	1583.51	24/1	1181.61	27/5	1924.20	29/12/89	870.90	25/6/92
74 Life Assurance(6)	2278.45	-0.8	2296.53	2304.02	2294.94	2586.80	5.45	7.99	15.37	66.38	864.96	2821.37	19/1	2180.81	1/6	2821.37	19/1/94	967.70	23/1/86
75 Merchant Banks(6)	2784.01	-0.2	2788.56	2795.72	2785.07	2560.20	3.60	12.11	9.68	44.45	891.40	3761.29	2/2	2784.01	17/6	3761.29	2/2/94	982.80	27/1/86
77 Other Financial(24)	1817.74	+0.4	1810.88	1814.27	1814.24	1492.80	3.77	7.69	15.26	25.67	958.86	2279.35	4/2	1799.86	2/6	2279.35	4/2/94	958.30	1/10/90
79 Property(39)	1500.48	-1.0	1514.89	1519.89	1521.42	1353.50	4.06	4.18	29.88	23.00	851.08	1886.86	4/2	1500.48	17/6	2132.40	5/8/89	718.40	16/9/92
80 INVESTMENT TRUSTS(122)	2744.36	-0.2	2748.52	2759.80	2747.67	2337.80	2.23	1.90	53.18	27.42	918.70	3184.31	2/2	2724.91	1/6	3184.31	2/2/94	977.29	14/1/86
86 FT-SE-A ALL-SHARE(865)	1515.01	-0.2	1518.30	1526.59	1526.23	1422.43	3.89	6.44	18.81	22.77	1177.16	1784.11	2/2	1484.83	1/6	1784.11	2/2/94	61.92	13/12/74

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3039.3	3047.6	3041.1	3042.4	3040.8	3039.5	3039.0	3033.0	3021.1	3049.7	3017.0
FT-SE Mid 250	3537.5	3544.1	3543.7	3541.3	3539.1	3537.4	3534.5	3532.0	3526.5	3546.3	3526.0
FT-SE-A 350	1530.7	1534.6	1532.0	1532.3	1531.4	1530.6	1530.3	1527.7	1522.5	1535.4	1520.9

Time of FT-SE 100 High: 8.58am Low: 4.04pm

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1078.3	1081.2	1081.2	1084.0	1083.2	1084.0	1084.4	1084.4	1080.5	1082.1	1078.4	+3.7
Pharmaceuticals	2851.2	2851.2	2853.7	2860.5	2861.9	2865.3	2866.7	2858.1	2847.4	2849.7	2846.0	+3.7
Water	1692.4	1700.8	1701.3	1701.5	1701.5	1700.5	1700.2	1699.9	1700.5	1701.4	1697.3	+4.1
Banks	2845.5	2859.7	2850.4	2854.9	2853.0	2849.3	2850.0	2844.6	2835.5	2837.8	2832.4	+5.4

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
FT-SE Total Return Indices	31/12/92	1000.00	FT-SE Mid 250 ex Inv Trusts	31/12/85	1412.60	Water	29/12/89	1000.00	UK Gilts Indices	31/12/75	100.00
FT-SE SmallCap	31/12/92	1363.79	FT-SE-A 350	31/12/85	682.94	Non-Financials	10/4/62	100.00	Index-Linked	30/4/82	100.00
FT-SE SmallCap ex Inv Trs	31/12/92	1363.79	FT-SE 100	31/12/83	1000.00	FT-SE-A All-Share	10/4/62	100.00	Debs and Loans	31/12/77	100.00
FT-SE Mid 250	31/12/85	1412.60	Electricity	31/12/90	1000.00	All Other	31/12/85	1000.00			

The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-SE Actuaries All-Share Index and the FT-SE SmallCap Index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. © The Financial Times Limited 1994. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. Auditor: The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. DELETION: NMC Group.

BP peaks in heavy trading

British Petroleum, the UK's flagship oil company, raced up to an all-time high of 415p in mid-session before coming off the top and settling a net 3 higher at 411½p as the stock market became increasingly optimistic about oil prices.

Brent crude for July delivery was trading around $16.90 a barrel late yesterday and looking to move even higher, dealers said. Oil prices have moved up by around a dollar a barrel over the past week following the Opec meeting in Vienna, viewed as reasonably successful, a technical squeeze and increasing worries about the situation in Korea.

Analysts voiced some concern over the current excitement about the possible lifting of a US ban on exports of Alaskan oil, a move which would provide a big boost to BP's earnings. "There is mounting opposition in the US Senate to a lifting of the ban, which could delay a decision until September," said one oil analyst.

It was also pointed out that the Kuwait Investment Office may be taking a hard look at the performance of crude oil prices and the BP share price with a view to placing its 9.7 per cent stake of around 540m shares at a considerable profit. At least one US brokerage is known to have bid for the KIO stake in BP with a view to placing the stock across the globe.

Oil bid alert

The Enterprise/Lasmo bid battle flared up again with the latter the market's heaviest traded stock and the former the FT-SE 100's best individual performer as the takeover saga moved into its closing two weeks.

Lasmo shares underperformed a generally strong oil sector early in the session, still weighed down by worries that the Enterprise takeover bid will fail. However, late in the session the stock price perked up, eventually closing a net 8 higher at 149p after very heavy trade of 15m shares.

Enterprise, meanwhile, were always on the uptick, and raced ahead to 416p before closing a net 16¼ higher at 414¼p with a good 3.5m shares changing hands.

Close observers of the takeover struggle said that the outcome was much closer than the market was indicating. Others, however, said that with Lasmo shares still at a discount to the bid terms – worth around 170p a share – the odds favoured a Lasmo escape. It was also pointed out that the recent strong performance of the oil price was making Lasmo's assumptions in its defence document look increasingly conservative.

Eurotunnel weak

Channel tunnel operator Eurotunnel tumbled another 15 to 288p, in heavy trade of 1.6m, as selling pressure overwhelmed buying orders from clients of the company broker S G Warburg's.

In spite of continuous bidding for stock from Warburg, market watchers continued to suggest that large institutions were unlikely to take up their rights in the company's £858m issue. They also warned that the continuing slide in the share price had begun to undermine the confidence of the small shareholders in one of the UK's biggest cash calls ahead of its close on Wednesday. One broker said: "There is little appetite for small holders to take up the issue."

Sentiment was further weakened when UBS yesterday reiterated its long-standing sell recommendation. UBS said: "We believe the shares are fundamentally overvalued even at the rights price of 265p."

Food retailers continued strong yesterday with J Sainsbury leading the charge amid talk of prospective US support. Britain's biggest grocer confirmed it is to visit institutional shareholders in New York and Boston to host meetings with US fund managers, although it denied market talk in London that it will apply for a "big board", or full, listing in New York to facilitate greater US liquidity in its shares. Sainsbury shares are already traded in ADR form on Wall Street.

Back in London, dealers said that pent-up demand for the leading food retail stocks, which have been slowly creeping back into favour in recent weeks, has been causing stock shortages and pushing up prices. Some more longer-term investors have also been spurred by renewed speculation that food price inflation will return to the system by the year-end.

Sentiment has also been helped by broker research – notably from NatWest Securities – which forecasts a continuing lean time for food manufacturers as food retailers maintain pressure on margins. Sainsbury shares motored 12¼ to 416½p on 6m traded, Tesco gained 5¼ to 229¼p with 6.1m turned over, while Argyll's good run faltered and stayed steady at 252p.

Northern Ireland Electricity was a lone bright spot in the electricity/power generation area of the market after Hoare Govett, the stockbroker, highlighted the short-, medium- and long-term attractions of the stock. The shares rose 7 to 221p.

Hoare's utilities team pointed out that the stock's recent underperformance against the sector was because of the impending and final 120p call on the shares, due on June 28. The shares trade in fully paid form from Monday.

Property developer Greycoat, which underwent a financial restructuring last year, unveiled a three-for-eight rights issue at 13p a share to raise £47m. The shares slipped 1¼ to 15¼p.

There was speculative buying among both television and radio stocks yesterday. In the former, Yorkshire-Tyne Tees, which has been highlighted by Granada as a potential bid target, advanced 5 to 315p. The latter added 4¼ to 533½p. Among radio stocks, Capital Radio added 5 to 399p and Metro Radio 13 to 393p.

A stock overhang left Caradon trailing 11 at 300p. Lucas Industries shed 3 to 175p after Strauss Turnbull was said to have downgraded profit expectations.

In the transport sector, yield buyers were seen for Ocean Group, and the shares improved 8 to 263p.

■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises			
Border TV	169	+	6
Borland	738	+	63
Drayton Korea Tst	141	+	7½
Faupel	76	+	4
Hay (Norman)	43	+	5
Hazlewood Foods	143	+	7
Hepworth	320	+	13
Int Busn Comm	191	+	10
Jacques Vert	185	+	7
LASMO	149	+	8
Latham (J)	215	+	20
Metro Radio	393	+	13
Norcros	134	+	7
Shoprite	59	+	6
Vickers	175	+	9
Falls			
British Vita	259	–	16
Caradon	300	–	11
Dart Group	157	–	11
Eurotunnel Uts	288	–	15
MAID	48	–	3
Osprey Comm	41	–	5
Rea Bros	59	–	3
Trio Hldgs	26	–	3

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (31).
BANKS (1) Toyo Tst. & Bkg., BREWERIES (1) Hall (J), BLDG MATLS & MCHTS (1) Latham (J), DISTRIBUTORS (2) Lookers, Norbain, DIVERSIFIED INDLS (1) Porter Chadburn, ELECTRNC & ELECT EQUP (1) NEC, ENGINEERING (2) Bridon, Castings, EXTRACTIVE INDS (8) Anglo Am. Coal, Durban Deep, Free State Dev., Impala Platinum, Rustenburg Platinum, Stilfontein, HOUSEHOLD GOODS (1) Osborne & Little, INSURANCE (1) INVESTMENT TRUSTS (3) MEDIA (1) Metro Radio, OIL, INTEGRATED (2) BP, Mobil, OTHER SERVS & BUSNS (1) Kuala Lumpur Kepong, PRTNG, PAPER & PACKG (1) Tinsley Robor, SUPPORT SERVS (2) Manpower, Page (M), TEXTILES & APPAREL (2) Dewhirst, Wensum, AMERICANS (1) SOUTH AFRICANS (1).
NEW LOWS (140).
GILTS (1) BANKS (3) ABN Amro, ANZ, Deutsche, BREWERIES (1) Vaux, BUILDING & CNSTRN (7) Beazer, Bellway, Berkeley, Eve, McAlpine (A), Persimmon, Taylor Woodrow, BLDG MATLS & MCHTS (11) CHEMICALS (3) AGA AB, Scapa, Wardle Storeys, DISTRIBUTORS (4) Bridgend, Caffyns, Diploma, Middlesex, DIVERSIFIED INDLS (2) Hanson 9½pc Cnv. Bd., Kvaerner B, ELECTRNC & ELECT EQUP (2) Blick, Grasby, ENGINEERING (8) Bullough, David Brown, Eadie, Johnson Matthey, Meggitt, VSEL, Weir, Whessoe, ENG. VEHICLES (2) Daimler-Benz, Lucas Wrts., EXTRACTIVE INDS (3) Bruntcliffe Aggregates, Kingstream, Precious Metals Aust., FOOD MANUF (8) Acatos & Hutcheson, Avonmore A, Cadbury Schweppes, Dalgety, Tate & Lyle 7¼p Prf., Waterford, GAS DISTRIBUTION (1) Calor, HEALTH CARE (2) Greenacre, Premier, HOUSEHOLD GOODS (1) Lilipax, INSURANCE (1) INVESTMENT TRUSTS (17) INVESTMENT COMPANIES (1) LEISURE & HOTELS (3) Groupe Chez Gerard, IMC, Magnolia, MEDIA (10) MERCHANT BANKS (1) Hambros 7¼pc Prf., OTHER FINANCIAL (6) PRTNG, PAPER & PACKG (3) Crest, Parkside Intl, RPC, PROPERTY (15) RETAILERS, GENERAL (3) Argos, Carpetright, Wyevale Garden Centres, SPIRITS, WINES & CIDERS (1) Guinness, SUPPORT SERVS (8) British Data Mngmt., Capita, Comac, OIS Intl., Quality Software, Waterman Partnership, TEXTILES & APPAREL (6) British Mohair, Jerome, Lambert Howarth, PEX, Readicut, Sirdar, TRANSPORT (7) Eurotunnel Units, Do Wrts. 1993, Forth Ports, Go-Ahead, Mersey Docks & Harbour, Transport Dev., United Carriers, AMERICANS (1) CANADIANS (2).

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 18.06.94: Pool purchase price £/MWh	Final Prices for Trading on 21.05.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.68	10.90	10.90
[illegible]			

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Mutual Assurance plc

Sun Alliance Group - Contd.

Scottish Provident Intl Life Ass Ltd - Contd.

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

OFFSHORE INSURANCES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Jun 17 / US$)

CANADA (Jun 17 / Can. $)

EUROPE

AUSTRIA (Jun 17 / Sch)

BELGIUM/LUXEMBOURG (Jun 17 / Frs.)

DENMARK (Jun 17 / Kr)

FINLAND (Jun 17 / Mka)

FRANCE (Jun 17 / Frs.)

GERMANY (Jun 17 / Dm.)

ITALY (Jun 17 / Lire)

NETHERLANDS (Jun 17 / Fls.)

NORWAY (Jun 17 / Kroner)

SPAIN (Jun 17 / Pts.)

SWEDEN (Jun 17 / Kronor)

SWITZERLAND (Jun 17 / Frs.)

AFRICA

SOUTH AFRICA (Jun 17 / Rand)

PACIFIC

JAPAN (Jun 17 / Yen)

AUSTRALIA (Jun 17 / Aus$)

HONG KONG (Jun 17 / H.K.$)

MALAYSIA (Jun 17 / MYR)

SINGAPORE (Jun 17 / S$)

INDICES

	Jun 17	Jun 16	Jun 15	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	19261.67	19520.14	25478.40	16/2	17758.98	20/4
Australia							
All Ordinaries(1/1/80)	2051.2	2058.0	2073.2	2340.60	3/2	1988.10	5/5
All Mining(1/1/80)	1046.2	1054.9	1063.0	1136.10	3/2	904.60	5/5
Austria							
Credit Aktien(30/12/84)	415.89	416.21†	420.36	480.66	2/2	401.20	6/6
Traded Index(2/1/91)	1075.50	1073.78	1082.96	1222.25	1/2	1011.36	6/6
Belgium							
BEL20 (1/1/91)	1445.81	1451.82	1461.81	1542.65	9/2	1445.81	17/6
Brazil							
Bovespa (29/12/83)	(u)	30339.0	30698.0	30698.00	15/6	3800.98	3/1
Canada							
Metals Minls◆(1975)	(u)	3724.44	3738.37	3879.50	18/3	3298.68	20/4
Composite◆ (1975)	(u)	4163.45	4168.27	4609.90	23/3	4105.98	20/4
Portfolio§§ (4/1/83)	(u)	1931.21	1928.47	2182.88	1/2	1913.37	19/4
Chile							
IPGA Gen (31/12/80)	(u)	4584.8	4576.1	4867.80	4/2	3991.29	4/4
Denmark							
CopenhagenSE(3/1/83)	388.63	385.94	387.84	418.79	2/2	383.83	1/6
Finland							
HEX General(28/12/90)	1704.3	1679.2	1681.9	1872.08	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1300.98	1308.06	1321.15	1508.20	2/2	1300.98	17/6
CAC 40(31/12/87)	1933.95	1942.81	1966.39	2355.93	2/2	1936.95	17/6
Germany							
FAZ Aktien(31/12/58)	781.33	781.76	788.49	889.27	18/5	778.33	2/3
Commerzbank(1/12/53)	2220.5	2218.60	2233.50	2465.50	2/5	2218.60	16/6
DAX (30/12/87)‡	2050.72	2054.91	2074.7	2271.11	16/5	2020.33	2/3
Greece							
Athens SE(31/12/80)	842.86	841.71	847.18	1194.98	18/1	808.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9113.96	9022.92	9149.52	12201.09	4/1	8369.44	4/5
India							
BSE Sens.(1979)	4262.5	4187.7	4123.7	4287.90	28/2	3464.08	5/1
Indonesia							
Jakarta Comp.(10/8/82)	476.55	477.13	482.09	612.89	5/1	464.32	26/4
Ireland							
ISEQ Overall(4/1/88)	1770.56	1779.47	1785.60	2082.16	20/1	1760.72	2/6
Italy							
Banca Comm Ital (1972)	698.90	700.69	715.42	817.17	10/5	598.85	10/1
MIB General (4/1/94)	1129.0	1132.0	1156.0	1318.09	10/5	944.80	10/1
Japan							
Nikkei 225 (16/5/49)	21503.30	21367.47	21282.98	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	309.83	308.55	308.5	311.71	13/6	280.22	4/1
Topix (4/1/68)	1705.53	1698.53	1698.27	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2468.60	2447.73	2437.37	2468.60	17/6	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1036.04	1032.39	1028.95	1314.46	5/1	928.33	4/4

	Jun 17	Jun 16	Jun 15	1994 High		1994 Low	
Mexico							
IPC (Nov 1978)	(u)	2326.80	2296.87	2881.17	8/2	1957.33	20/4
Netherlands							
CBS TtlRtnGen(End 83)	421.8	424.4	428.3	454.90	31/1	417.40	5/4
CBS All Shr (End 83)	267.8	269.4	271.9	294.80	31/1	267.80	17/6
New Zealand							
Cap. 40 (1/7/86)	2101.07	2103.76	2100.87	2438.84	3/2	2012.82	5/5
Norway							
Oslo SE(Ind)(2/1/83)	1024.92	1031.85	1041.90	1211.10	28/2	1024.92	17/6
Philippines							
Manila Comp (2/1/85)	2882.83	2916.56	2921.87	3368.27	4/1	2507.33	9/3
Portugal							
BTA (1977)	2723.5	2768.8	2802.9	3228.60	18/2	2819.90	3/1
Singapore							
SES All-S'pore(2/4/75)	558.67	561.54	555.84	641.61	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2197.0♥	2185.0	2091.0	2331.80	4/1	1749.08	14/2
JSE Indl. (28/9/78)	6731.0♥	6743.0	6757.0	6757.00	15/6	5448.00	19/1
South Korea							
KoreaCompEx(4/1/80)**	918.54	901.06	890.92	974.26	2/2	855.37	2/4
Spain							
Madrid SE (30/12/85)	307.79	311.31	317.8	389.31	31/1	307.79	17/6
Sweden							
AffarsvardsGen (1/2/37)	1407.90	1428.20	1442.40	1603.90	31/1	1403.60	31/3
Switzerland							
Swiss Bk Ind (31/12/58)	1260.61	1271.71	1282.65	1428.34	31/1	1239.75	9/5
SBC General (1/4/87)	935.69	945.52	958.52	1083.28	31/1	917.69	9/5
Taiwan							
WeightedPr.(30/6/66)**	6159.74	6149.64	6115.06	6454.52	6/1	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	1370.53	1364.44	1359.53	1763.73	4/1	1196.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	20233.4	19321.8	18000.9	26883.60	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)$	620.7*	620.6	622.7	641.08	1/2	591.80	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1350.34	1355.76	1376.41	1540.39	31/1	1350.34	17/6
Euro Top-100 (26/6/90)	1180.43	1188.45	1200.36	1311.01	2/2	1180.43	17/6
JCapelDrgns (31/12/88)	(u)	310.84	318.20	355.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	155.92	158.18	156.37	182.72	14/2	141.65	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jun	1954.0	1923.0	-7.0	1957.0	1922.0	24,530	49,289
Jul	1948.5	1919.5	-7.0	1951.5	1919.0	2,170	7,413
Sep	1969.0	1936.0	-6.5	1969.0	1936.0	1,606	15,443

Open interest figures for previous day.

** Sat Jun 11 : Taiwan Weighted Price 6073.43; Korea Comp Ex 918.60. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jun 17 - 2031.60 -15.49

US INDICES

Dow Jones	Jun 16	Jun 15	Jun 14	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3811.34	3790.41	3814.83	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	98.57	98.45	98.54	105.61 (21/1)	96.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1661.45	1635.85	1644.24	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	184.95	186.26	187.19	227.06 (3/1)	177.76 (12/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3830.68 (3838.29) Low 3771.39 (3772.02) (Theoretical◆)
Day's high 3811.65 (3823.39) Low 3785.55 (3784.07) (Actual◆)

Standard and Poors	Jun 16	Jun 15	Jun 14	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	461.93	460.61	462.37	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	537.06	534.87	536.56	580.50 (2/2)	510.05 (21/4)	580.50 (2/2/94)	3.62 (21/6/32)
Financial	46.57	46.76	46.94	48.94 (14/6)	41.39 (4/4)	48.48 (28/8/93)	8.64 (1/10/74)
NYSE Comp.	254.99	254.14	255.10	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	441.78	442.27	442.65	487.89 (2/2)	427.80 (20/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	734.97	736.84	735.98	803.93 (18/3)	705.51 (20/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jun 10	Jun 3	May 27	Year ago
Dow Jones Ind. Div. Yield	2.68	2.68	2.69	2.93
	Jun 15	Jun 8	Jun 1	Year ago
S & P Ind. Div. yield	2.42	2.44	2.47	2.51
S & P Ind. P/E ratio	23.61	23.31	23.41	25.42

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	-	461.85	-	-	-	28,756	58,442
Sep	463.05	463.35	-0.10	463.65	462.75	74,063	183,503
Dec	465.35	465.60	-	465.90	465.30	247	8,669

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Hanson	11,164,500	19⅝	-⅛
Exxon	4,162,200	58⅞	+1⅜
Santa Fe	3,499,100	14⅝	+⅜
Entergy Cp	3,197,800	26¼	-2⅞
Intl Game	2,933,600	19⅝	-¼
RJR Nabisco	2,807,200	5⅝	+⅛
Gen Motors	2,712,200	53⅝	-⅛
Telefonos	2,418,600	59⅝	+⅝
Pepsico	2,225,000	31⅝	-⅛
Micron	2,196,700	35	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Jun 16	Jun 15	Jun 14
New York SE	254.880	269.805	288.379
Amex	17.403	14.879	16.802
NASDAQ	255.365	265.282	280.887
NYSE			
Issues Traded	2,837	2,814	2,825
Rises	1,151	948	1,284
Falls	950	1,178	816
Unchanged	736	688	725
New Highs	44	42	60
New Lows	44	35	35

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◆ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

WORLD STOCK MARKETS

AMERICA

Triple-witching expiry unnerves Dow

Wall Street

US shares prices were pushed lower yesterday morning by a powerful wave of trading related to the triple-witching expiration of futures and options, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was down 21.88 at 3,789.46, while the more broadly based Standard & Poor's 500 was off 2.11 at 459.82. In the secondary markets, the American SE composite receded 1.65 to 440.13, and the Nasdaq slumped 4.85 to 730.12 amid fresh weakness in the technology sector.

Although there was little fundamental news to drive the market, activity was robust. Investors were busy unwinding their positions as quarterly options on individual stocks and market indices, and future contracts on the indices, began to expire.

Some 250m shares were already exchanged on the NYSE by early afternoon. Trading was likely to accelerate in the final hours of the session, with the triple-witching activity expected to trip a battery of program-guided orders.

Unfortunately for investors, the overall tone of the market was negative, as bonds turned bearish again.

The price of the benchmark 30-year government security was down more than ½ point by midday, as traders reacted nervously to a third consecutive monthly rise in consumer confidence. The University of Michigan consumer sentiment index came in at 94.5, compared with 92.8 in the final May reading.

Investors were also disturbed by a report by the Conference Board which said the dollar could lose 10 per cent of its value against the D-mark over the next 18 months.

Despite the sour mood in general, there were no strong sectoral trends dragging the market down.

The Dow components were broadly lower, led by cyclical issues. 3M was down $1⅛ at $51⅛, DuPont lost $1 to $60⅜ and International Paper slipped $⅝ at $71⅝.

Exxon, which shot down and then up during the week, levelled off at $58⅝, with a gain of $¼ on the morning. Chevron lost $⅝ to $43⅛ after Smith Barney Shearson downgraded the issues.

Relative calm also returned to banking stocks after two days of heavy selling. Most issues were down marginally, however. Bank of New York eased $⅞ to $30⅛, while Shawmut National added $⅛ to $21⅞. But First Interstate shed a further $1⅜ to $76⅛, while Wells Fargo continued its losing ways, dropping $1⅛ to $154⅝.

The spotlight yesterday turned to Quaker Oats. The stock jumped $4⅝, or more than 6 per cent, to $75⅝ on speculation that either Nestlé or HJ Heinz was interested in acquiring the food group. Quaker declined to comment.

On the Nasdaq, technology issues came under renewed fire. Lotus Development was marked down $2⅝ at $51⅛, in spite of the announcement that it was buying Softswitch, a communications software supplier. Analysts said the deal was an important strategic move.

Canada

Toronto stocks eased in thin, uneven trade, the TSE 300 composite index losing 8.38 at 4,155.07 in 29.64m shares valued at C$400.3m. Declines led advances by 308 to 258 with 279 unchanged.

Of Toronto's 14 sub-indices, five were stronger and eight weaker. Gains in gold and mining stocks failed to offset losses in communications and real estate.

The gold sub-index soared 1.84 percent as London gold climbed US$3 to close at US$388.30.

Brazil

Equities in São Paulo were up 5.9 per cent in local currency terms at midday, helped by active trading ahead of Monday's options settlement.

The Bovespa index had increased 1,784 to close the morning session at 32,123 in turnover of some Cr220.3bn ($95m).

Tokyo recovery hopes bring back memories

Emiko Terazono on prospects for Japanese equities

Brisk sales of the Kabushiki Shimbun, one of Japan's financial tabloids catering to retail investors; a rally in speculative favourites such as ball-bearing companies or sewing machine makers; and the sharp rise in daily market volumes. In Tokyo's equity market, this combination has brought back memories of the boom days in the late 1980s.

The sudden realisation that the economy and corporate earnings may be in for a recovery has prompted a rally which, many Japanese brokers hope, will pull the Tokyo market out of its four-year slump.

"The whole market is looking like a cyclical stock," says Mr Jeff Bahrenburg, a strategist at Merrill Lynch in Tokyo. Corporate profits were better than expected for the past year – down 16 per cent before tax rather than the forecast 25 per cent – and a flow of data suggests that the economy has stopped falling, at least.

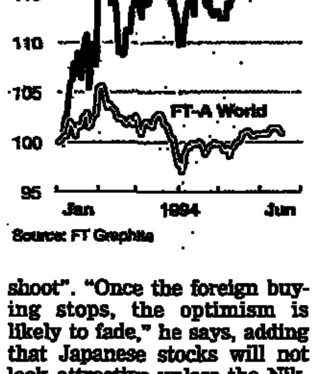
The catalyst for the recent rally has been active buying by foreign institutions, which have been shifting funds to Tokyo due to the weakness in global stock and bond markets. While net buying has been unable to better the levels earlier this year, when overseas investors bought record amounts of Japanese shares, the rise in share prices has triggered further buying by domestic investors, eager not to be left behind.

The strong rise, says Mr Bahrenburg, *indicates that* "people have come to grips with the potential growth". Although higher share prices have pushed up the price to earnings ratio for the Nikkei to over 100, the figure anticipates a firm rise in profits over a two- to three-year span.

On conservative estimates, he says earnings for the corporate sector could grow by 152 per cent in the next five years, against real economic of 2.7 per cent. This predicates a 42 per cent potential rise in the Nikkei, the bulk of it coming over two to three years.

However, unlike the "bubble" era in the 1980s, when every investor participated in frenzied buying, many domestic institutions remain unconvinced of a sustainable rally. While some, not wanting to be left out of the rally have cautiously joined in, many fund managers do not believe that they should be buying stocks actively at current levels.

Mr Yasuhiko Jinza, stock investment manager at Nippon Life, *the country's largest institutional investor*, regards current price levels as an "over-



Source: FT Graphite

shoot". "Once the foreign buying stops, the optimism is likely to fade," he says, adding that Japanese stocks will not look attractive unless the Nikkei index falls below the 20,000 level.

Japan's life insurance companies are smarting from the low return on assets, mainly due to the buying of low-yielding equities in the late 1980s. *The leading 27 life insurers* are looking at an average 4.3 per cent on their Y148,000bn of assets, lower than the 4.96 per cent needed to cover payouts to policy holders. "I know people are talking about us coming back into the market, but it's just not going to happen," says Mr Jinza.

With rising interest rates in the US threatening liquidity inflow, foreign buying is expected to start falling. The question many market participants are now asking is where share prices will go from here.

Mr Jason James, a strategist at James Capel in Tokyo, says that individual investors, who have been absent for the past few years, could be wooed away from low-yielding fixed interest investments and take *the place of overseas fund* managers.

Evidence that this is already happening can be seen in the rally of retail market favourites, slightly low quality, speculative stocks such as Oki Electric and Towa Real Estate. A recent stock market survey *indicated that* the percentage of individual investors holding equities earlier this year rose by 2.8 points to 23.7 per cent, the first rise in five years.

Meanwhile an additional concern for investors is the large outstanding arbitrage position. According to the Tokyo stock exchange, long arbitrage positions as of last Monday totalled Y1.46bn, slightly lower than the record high Y1.49bn in April 1992. A build up of arbitrage balance puts share prices in a vulnerable position against negative news once trading volumes start to fall.

For the next few months, says Mr Alexander Kinmont, a strategist at Morgan Stanley in Tokyo, there are two possible scenarios. Individuals could pile in, sending the Nikkei up into the 23,000-24,000 range, followed by a correction; or small lot buying by domestic investors could push prices gradually forward.

During the summer, when trade talks between the US and the Group of Seven summit *talks are scheduled to be held*, volatility in the yen could cause fluctuations in the stock market. The attractiveness of Japanese shares for overseas investors could change in the face of weakness or strength in other leading stock markets.

Mr James at James Capel believes that a correction is likely during the summer months, but sees the downside of the market to be around 20,000. He expects that the spate of interim earnings estimates and previews will bring some cheer into the market, and forecasts the Nikkei around the 21,000 level at the end of September.

EUROPE

Weak bonds, derivatives closures hit bourses

After a morning recovery, a serious weakening in bond market sentiment hit bourses hard again in the afternoon, *writes Our Markets Staff.*

In some cases, the bourses' problems were exacerbated by added volatility on the closure of futures and options contracts.

FRANKFURT seemed to be negotiating its way through the DTB options minefield, the Dax index closing just 4.19 lower on the session at 2,050.72 and down 3.9 per cent on the week. But the closure process *extended into the afternoon,* when equities were hit by bond market weakness and a report of management changes at Deutsche Bank.

Deutsche Bank denied the report that a board member, Mr Rolf Breuer, was to be relieved of his responsibility as head of securities trading. But, said Mr Nigel Longley at Commerzbank, the market was already edgy following the arrest of the managing director of Procedo, the factoring company, and the revelation of derivatives trading on a massive scale at Balsam, Procedo's biggest customer.

Turnover soared on the DTB closures, from DM6.7bn to DM25.6bn. In the post bourse, Deutsche Bank fell to DM722.50 and the Ibis-indicated Dax to 2,031.80. A further drop on *Monday would threaten the* closing low of 2,020.33 for 1994.

PARIS drifted at the end of a week which saw the CAC-40 index slide more than 4 per cent, in spite of further good news that economic recovery was on course. The index eased 6.86 to 1,985.95.

The highlights of the session were Schneider and LVMH, both up against the trend after forecasting higher profits in 1994. Schneider rose FFr8.10 to FFr365 and LVMH FFr5 to FFr840.

Rhône-Poulenc slipped FFr3 to FFr127, but dealers said that it was largely unaffected by news that it was to recall a batch of its antibiotic drug as a precaution after one of the bottles was tampered with.

Eurotunnel suffered further as fears arose that it would fail *to get its rights issue away,* the shares finishing down FFr1.15 at FFr25.65.

ZURICH, once again, saw a firm trend early in the day dispelled in the last hour. The SMI index fell 39.0 to 2,627.6 for a 4.9 per cent decline on the week.

Banks, the hardest hit sector, remained under pressure. UBS bearers lost SFr25 to SFr1,115, for a fall over the week of 9.1 per cent. CS Holding bearers lost SFr17 to SFr533, off 10.1 per cent.

Among the large blue chips, *Nestlé gave up SFr12 to* SFr1,133 and Roche dropped SFr80 to SFr6,520.

MILAN remained concerned about the outlook for interest rates and the constitutional court ruling on pensions that could cost the government up to L30,000bn. The Comit index finished 1.79 lower at 698.90, down 7.6 per cent on the week, amid rumours that the sharp fall in prices earlier in the week was the result of selling by domestic brokerages to cover the cost of losses in the bond markets.

Fiat bucked the trend with a L56 rise to L6,256.

Mondadori lost L720 to *L15,660 but remained solidly* over the L15,000 price set for the public offering and placement of 66m shares, which ended yesterday.

MADRID was half a percentage point higher at midday but it closed with the general index down 3.52 at a new 1994 low of 307.79, down 5.4 per cent on the week.

Utilities fared badly. Dealers said that there was a huge seller in Sevillana, down Pta32 at Pta638; and Iberdrola, which fell Pta29 to Pta936 was hit like Pryca, the retailer, by its high weighting in the Ibex, real time index. Futures and options dealers were selling baskets of Ibex stocks in the cash market as contracts expired.

AMSTERDAM, too, had to endure the volatility of options expiry and the AEX index closed the day down 3.12 at a new 1994 low of 392.62, for a week's fall of 3.4 per cent.

KPN, the partially privatised telecommunications and postal group, closed its first week of trading off 40 cents at Fl 49.30, 45 cents below its issue price.

ISTANBUL continued to improve with a 4.7 per cent gain on the day and up 16 per cent on the week. The composite index rose 911.78 to 20,233.45, in spite of mid-session profit-taking.

Turnover was TL1,26bn.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Jun 17 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1363.33	1362.20	1361.97	1360.93	1358.93	1358.50	1361.39	1360.34
FT-SE Eurotrack 200	1401.93	1400.03	1400.11	1399.32	1396.86	1396.18	1391.16	1389.87

THE EUROPEAN SERIES

	Jun 16	Jun 15	Jun 14	Jun 10	Jun 9
FT-SE Eurotrack 100	1355.76	1376.41	1383.94	1388.62	1411.45
FT-SE Eurotrack 200	1393.07	1408.06	1413.81	1412.64	1432.60

Base 1000 (26/10/90); Highday: 100 - 1361.07; 200 - 1396.30 Lowday: 100 - 1355.25 200 - 1381.45

SOUTH AFRICA

Gold shares moved ahead on a surge of late domestic buying as the price of bullion broke through the $388 level near the close.

The overall index gained 11 to 5,784, *industrials shed 14 to* 6,730 and the gold index added 12 to 2,197.

ASIA PACIFIC

Region firmer as hopes rise on N.Korea

Tokyo

Rising hopes over increasing dialogue between North Korea and the US, and the weakening of the yen encouraged buying but selling around the 21,500 level stunted the day's rise, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average rose 135.83 to 21,503.30, up 0.5 per cent on the week, after a low of 21,398.68 and a high of 21,572.41 *in the morning session on arbi*trage buying. Heavy selling by financial institutions countered foreign and individual buying.

Volume rose to 500m shares from 381m. The Topix index of all first section stocks gained 7.00 to 1,705.53 and the Nikkei 300 1.08 to 309.63. Gainers led losers by 683 to 342 with 158 unchanged and, in London, the ISE/Nikkei 50 index rose 3.25 to 1399.87.

Analysts said that a further rise of the market depended on the participation of private investors: *a rise in individual* favourites was an encouraging sign, but retail investors tended to be short-term players.

Oki Electric Industry, the most active issue of the day, rose Y40 to Y815 on foreign and individual buying. Isuzu Motors also gained Y22 to Y559 on retail support.

Financial institutions bought cheap laggard car stocks, with Fuji Heavy Industries rising Y13 to Y500 and Mitsubishi Motors advancing Y26 to Y989.

Foreign investors picked up chemical and textile stocks, with Unitika, a textile maker, up Y17 to Y405 and Nippon Zeon, *in a synthetic rubber*, by Y21 to Y575.

Nippon Telegraph and Telephone fell Y3,000 to Y845,000 but East Japan Railway gained Y5,000 to Y508,000.

In Osaka, the OSE average rose 172.59 to 23,783.14 in volume of 72.5m shares.

Roundup

Mixed fortunes affected the region's markets.

HONG KONG recovered most of Thursday's fall on a late round of bargain hunting and arbitrage-related buying.

The Hang Seng index closed up 91.04 or 1 per cent at 9,113.96, barely changed on the week, in turnover up from HK$2.93bn to HK$3.13bn. However, the key index did recover from a fall below the 9,000 level just after the opening, and the June index futures contract closed 210 higher at 9,180.

Cheung Kong lost 25 cents to HK$36.25, having reached a low of HK$35.25 earlier on fears that property sales would be affected by the government campaign to cool down the overheated property market.

SEOUL moved strongly ahead on expectations that the North Korean nuclear crisis would be resolved peacefully.

The composite index rose 17.46 to 918.54, up 1.9 per cent on the day and 1 per cent on the week.

Turnover was Won684.05bn after Thursday's Won565.29bn.

BOMBAY finished at a 26-month high as both domestic and foreign investors came into the market on the first day of the new account. The BSE index rose 102.62 or 2.4 per cent to 4,290.37, barely changed on the week.

Brokers said that the rally was mainly led by buying in Reliance Industries and Tata Iron and Steel, the former up Rp6.25 at Rp397.50 and the latter up Rp3.75 at Rp300.

TAIPEI turned cautious after its recent volatility, the weighted index rising 10.10 to 6,159.74, up 2.7 per cent on the week, as turnover fell to T$68.6bn from Thursday's T$96.04bn.

Selected banking stocks with high profit expectations attracted buying: China Trust, the day's second most active issue, rose T$1.50 to T$72.

MANILA was depressed by a sharp drop in PLDT after analysts lowered their earnings forecasts. The telephone group's shares lost 3.6 per cent to 1,735 pesos, pulling the composite index down 33.73 to 2,882.83.

The newly listed Megaworld Properties bucked the trend, rising 1.85 per cent to 5.50 pesos. The debuts of the shipping group, Negros Navigation, and the ice cream company, Selecta, were expected to give the market further incentive next week.

Turnover was 707.9m pesos.

SYDNEY retreated slightly as activity was undermined by the continued weakness in the bond market. The All Ordinaries index fell 4.8 to 2,051.2, in turnover of A$472.6m, off 0.8 per cent on the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY JUNE 16 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY JUNE 15 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	171.46	-0.9	167.24	112.00	146.47	155.98	-1.0	3.53	172.96	168.68	112.34	147.08	157.50	188.15	130.19	134.87
Austria (17)	182.72	-0.3	178.23	119.35	155.02	154.82	-0.6	1.03	183.33	178.79	119.07	156.87	155.75	195.41	142.90	145.10
Belgium (37)	167.61	-0.5	163.48	109.48	142.20	138.83	-0.7	3.97	168.51	164.33	109.44	143.27	139.76	176.67	142.02	144.44
Canada (106)	125.95	-1.0	122.85	82.27	106.86	127.06	-0.4	2.67	127.21	124.06	82.82	108.15	127.80	145.31	121.46	127.75
Denmark (33)	253.48	-0.8	247.24	165.57	215.06	220.52	-0.8	1.34	255.49	249.16	165.94	217.22	222.21	276.79	207.58	213.87
Finland (23)	136.52	0.0	133.16	89.17	115.83	157.20	0.0	0.93	136.56	133.18	88.89	116.11	157.16	158.72	85.54	89.18
France (97)	162.23	-1.0	158.24	105.97	137.64	141.71	-1.2	3.16	163.94	159.89	106.48	139.39	143.42	185.37	149.60	153.51
Germany (58)	134.23	-0.3	130.93	87.68	113.88	113.88	-0.5	1.82	134.67	131.34	87.47	114.50	114.50	147.07	107.59	111.58
Hong Kong (56)	368.75	-1.6	359.68	240.87	312.86	366.03	-1.6	3.24	374.79	365.52	243.43	318.66	371.98	506.56	271.42	297.52
Ireland (14)	185.31	-0.5	180.75	121.04	157.22	175.28	-0.3	3.47	186.30	181.69	121.01	158.40	175.75	209.33	155.93	159.53
Italy (60)	82.31	-3.0	80.28	53.76	69.83	98.38	-2.5	1.63	84.85	82.75	55.11	72.14	100.89	97.78	57.88	65.20
Japan (469)	164.46	-0.6	160.41	107.42	139.53	107.42	0.0	0.71	165.36	161.27	107.40	140.60	107.40	168.34	124.54	148.53
Malaysia (98)	483.71	0.0	471.81	315.98	410.39	484.27	0.1	1.66	483.64	471.67	314.13	411.21	483.64	621.83	312.51	342.77
Mexico (18)	1969.29	-0.2	1920.82	1288.32	1670.75	7239.86	-0.2	1.08	1973.19	1924.34	1281.58	1677.65	7255.29	2647.08	1487.84	1471.40
Netherland (27)	199.80	-0.8	194.89	130.51	169.52	166.75	-0.9	3.41	201.41	196.42	130.82	171.25	168.32	207.43	164.22	167.70
New Zealand (14)	69.04	0.5	67.34	45.10	58.58	62.28	0.2	3.84	68.73	67.03	44.64	58.44	62.17	77.59	48.80	49.18
Norway (23)	183.21	-1.2	178.70	119.67	155.44	176.37	-1.3	1.87	185.43	180.84	120.44	157.66	178.63	208.42	150.61	153.04
Singapore (44)	340.69	0.2	332.31	222.54	289.05	240.79	0.3	1.75	340.05	331.63	220.86	289.12	240.07	376.92	242.46	250.61
South Africa (59)	283.10	1.3	276.14	184.92	240.19	294.85	0.8	2.14	279.54	272.62	181.56	237.67	292.36	283.10	175.98	193.82
Spain (42)	138.66	-2.4	135.24	90.67	117.64	141.81	-2.1	4.07	142.09	138.57	92.29	120.81	144.91	155.79	116.33	129.05
Sweden (36)	211.21	-1.7	206.01	137.96	179.19	245.91	-1.5	1.63	214.79	209.48	139.51	182.63	249.72	231.35	163.85	174.68
Switzerland (47)	159.59	-1.1	155.66	104.24	135.39	135.69	-1.2	1.79	161.35	157.36	104.80	137.18	137.39	178.68	124.46	125.27
United Kingdom (205)	187.76	-0.6	183.14	122.64	159.30	183.14	-0.8	4.10	188.93	184.26	122.71	160.64	184.26	214.96	170.52	176.09
USA (518)	188.34	0.3	183.70	123.02	159.79	188.34	0.3	2.85	187.78	183.13	121.96	159.65	187.78	196.04	178.95	182.75
EUROPE (719)	163.40	-0.9	159.38	106.73	138.63	151.32	-1.0	3.09	164.94	160.86	107.13	140.24	152.78	178.58	141.58	144.23
Nordic (115)	201.73	-1.2	196.76	131.77	171.14	202.85	-1.1	1.48	204.17	199.11	132.61	173.59	205.13	220.80	155.82	163.03
Pacific Basin (756)	171.93	-0.6	167.70	112.31	145.87	116.92	-0.1	1.03	172.95	168.67	112.33	147.05	117.04	173.75	134.79	152.39
Euro-Pacific (1469)	168.22	-0.7	164.09	109.88	142.72	131.06	-0.5	1.87	169.45	165.26	110.06	144.07	131.65	170.78	141.98	148.93
North America (625)	184.47	0.2	179.93	120.50	156.51	184.15	0.3	2.84	184.02	179.47	119.52	156.46	183.66	192.73	176.67	179.34
Europe Ex. UK (514)	146.68	-1.1	143.07	95.81	124.44	132.03	-1.2	2.48	148.34	144.67	96.35	126.12	133.58	157.47	122.37	124.54
Pacific Ex. Japan (281)	246.85	-0.8	240.77	161.24	209.43	222.13	-0.8	2.87	248.87	242.72	161.65	211.60	223.95	296.21	182.38	190.55
World Ex. US (1652)	169.22	-0.7	165.06	110.54	143.57	134.35	-0.4	1.86	170.40	166.19	110.68	144.88	134.93	172.51	142.94	149.46
World Ex. UK (1966)	173.25	-0.3	168.99	113.17	146.99	147.92	-0.1	2.03	173.80	169.49	112.88	147.77	148.10	175.58	153.22	158.02
World Ex. So. Af. (2112)	173.88	-0.4	169.60	113.58	147.52	150.14	-0.2	2.23	174.51	170.19	113.35	148.37	150.42	178.56	156.00	159.49
World Ex. Japan (1702)	182.18	-0.2	177.70	119.00	154.56	175.99	-0.2	2.90	182.64	178.12	118.62	155.29	176.43	195.20	165.72	167.40
The World Index (2171)	174.55	-0.3	170.28	114.02	148.09	151.21	-0.2	2.23	175.15	170.82	113.76	148.92	151.47	178.97	155.17	159.62

Latest prices were unavailable for this edition.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jul	Oct	Jan	Puts Jul	Oct	Jan
Allied-Lyons	540	36½	51½	–	7	18	–
(*567)	589	10½	25½	–	31	40½	–
Argyll	240	12½	22	27	9	14½	19½
(*251)	260	4	13	18	22½	26½	31½
ASDA	50	7½	8½	10½	1½	4	4½
(*55)	60	2	4	6	6½	10	10½
Brit Airways	390	16	30	35½	14	23½	29½
(*398)	420	5½	17	23	35	41½	47
SmKl Bcm A	390	38	46	54	5	13½	22
(*418)	420	16	28½	37½	16½	28	35½
Boots	500	35	49	58½	6	14½	21½
(*525)	550	7	22	31	31	39	47
BP	390	29	40	46½	5	13½	18
(*410)	420	12	23½	31	18	27½	32½
British Steel	130	8	13½	16½	5½	9½	11½
(*133)	140	4	9	12	11½	15	17
Bass	500	28½	42½	51½	11	20½	33
(*513)	550	7½	19	28	43½	49½	63½
Cable & Wire	425	18½	–	–	14½	–	–
(*433)	450	7½	–	–	30	–	–
Courtaulds	500	21	36½	46½	12	25½	32½
(*503)	550	4	15½	24½	50	57	62½
Comm Union	500	38	44½	53	6½	18½	25
(*523)	550	9	19	28½	32½	48	51½
ICI	750	31½	48	62	15	34	43
(*761)	800	8½	25	38½	46	64½	71½
Kingfisher	500	24½	34½	47	15	29½	35½
(*502)	550	6½	19	26	52	58	66
Land Secur	600	29	42	49½	8	15	22½
(*618)	650	5½	16½	24½	39½	43	49
Marks & S	390	27	37½	44½	4	8½	14
(*410)	420	9½	20	28½	17½	23	27½
NatWest	460	24½	36	46½	10½	23	27½
(*471)	500	6½	17½	28	34	46½	50½
Sainsbury	390	31	44	52	5½	14½	20½
(*415)	420	14	28	35½	18½	27	34
Shell Trans.	700	22	35	45	15	29½	34½
(*705)	750	4½	14½	23½	47½	60½	64
Storehouse	200	18½	23½	27½	4	8	11½
(*214)	220	5½	12½	17	14½	18½	22
Trafalgar	79	8½	–	–	3½	–	–
(*85)	88	4½	–	–	7½	–	–
Unilever	1000	26½	54½	78	23	35	43½
(*1001)	1050	9	31	47	58	64½	71
Zeneca	700	42½	57½	78½	8	24½	31
(*730)	750	13½	30½	45	32	50½	57
Option		Aug	Nov	Feb	Aug	Nov	Feb
Grand Met	420	15	28½	35½	19	27	33½
(*420)	460	4	14½	20½	49½	54	60
Ladbroke	180	13	17½	22	9	13½	16½
(*180)	200	4½	9½	14	23½	27	29
Utd Biscuits	300	36½	38	42½	4	11½	14½
(*322)	330	12½	22½	28½	17	27	29½
Option		Sep	Dec	Mar	Sep	Dec	Mar
Fisons	130	19	23	25½	7	11½	14
(*139)	140	13½	17	20½	12	16½	19
Option		Aug	Nov	Feb	Aug	Nov	Feb
Brit Aero	460	31½	52½	65½	24½	43	51
(*484)	500	15½	35	48½	48½	66	74
BAT Inds	380	28½	38	45½	13	21	24
(*405)	420	12½	22	30½	31	37½	41
BTR	360	17½	26½	34	11	19½	23½
(*365)	390	6	13	20½	29½	37½	40½
Brit Telecom	360	18½	25½	29½	12	18	24½
(*371)	390	5	12	16½	33	37	43
Cadbury Sch	420	31	40½	50	6½	15	17½
(*439)	460	9	21	27½	27½	37	39
Eastern Elec	550	52½	60½	71½	12½	24	32
(*593)	600	19½	36	47	38	49½	57½
Guinness	420	45	53	59	4	9	14
(*459)	460	15	27	35	15	25	28½
GEC	280	21	25½	30	6	11	14½
(*297)	300	7½	15	19½	17½	22	25

Option		Calls Aug	Nov	Feb	Puts Aug	Nov	Feb
Hanson	240	17½	22½	25½	4	9	12½
(*251)	260	8½	12½	15½	13½	19	22½
Lasmo	134	20	24	–	3½	7	–
(*149)	154	7	13	–	12	18	–
Lucas Inds	160	21	25½	28	3	8½	11½
(*175)	180	8	15	17½	10	19½	22
P & O	600	45	59	69½	13	28½	34½
(*626)	650	17½	33½	46	38	56½	62
Pilkington	160	18	23½	27	4½	8	11½
(*175)	180	7	12½	16½	15	18	22
Prudential	280	24½	31	35½	5½	12½	14
(*296)	300	12	18	26½	13½	22½	24
RTZ	850	37½	62	79	24½	45½	52
(*858)	900	15½	39	55½	55	73½	79½
Redland	460	30	45½	51	13	25½	30½
(*475)	500	12	28	32	34½	49½	54
Royal Insce	240	24½	32	38½	5	14	15
(*256)	260	12½	21½	26½	14	24	25
Tesco	220	17½	23	28½	6	12	15
(*229)	240	7	11½	18½	15	23	25½
Vodafone	500	25	44½	52	21	32	41
(*506)	550	7	23	31	55	63½	70½
Williams	325	31	38½	–	4	10½	–
(*349)	354	12½	21½	–	15½	24	–
Option		Jul	Oct	Jan	Jul	Oct	Jan
BAA	900	43½	68	78½	14	26½	35
(*936)	950	16½	38½	52½	39½	52	60
Thames Wtr	460	13½	25	29½	18	25½	34½
(*470)	500	3	10½	15	50	54	60½
Option		Sep	Dec	Mar	Sep	Dec	Mar
Abbey Natl	420	23	31½	38½	22	27	34½
(*421)	460	8½	15½	22½	48½	53	60
Amstrad	30	6	6	7	3	4½	5
(*31)	35	2	4	5	5½	7	8
Barclays	550	34½	46½	57	25½	32	42
(*560)	600	13½	24	36	57½	62½	71
Blue Circle	260	26	30½	35½	11½	16½	18½
(*270)	280	14½	21	26	23	27½	29
British Gas	260	18	22	24½	10	16½	18½
(*265)	280	9	13½	15½	21	29	31
Dixons	180	19	23½	27	11½	14½	17½
(*189)	200	9	15	18½	23	25½	28½
Hillsdown	160	13	16½	19½	9½	11½	13
(*160)	180	5	8	12	24	35	28
Lonrho	120	14½	19½	22½	7	11	13½
(*128)	130	9	15	17½	12½	16	19
Natl Power	420	32½	41	49½	17½	24	28½
(*429)	460	13½	23	31	40	47	51
Scot Power	330	38½	43	46½	11½	18	18
(*359)	360	19½	23½	30½	25	28½	33
Sears	110	13½	15½	17½	4	5	6½
(*117)	120	7	9½	12	8	11	11½
Forte	220	24	27	31½	9	13	15½
(*230)	240	13½	17	22	19	24	26½
Tarmac	130	18	19	22½	7½	12	14
(*135)	140	11	14	17	13	17½	19½
Thorn EMI	1050	54	77	91	59	74	88
(*1058)	1100	32½	56½	70½	92	107	119
TSB	220	18	21½	24	14	15½	18½
(*223)	240	7	13	15½	27	28	31
Tomkins	220	22	27	30½	9	12½	15½
(*233)	240	11½	17	21	20½	23½	26½
Wellcome	600	44	58½	73	36½	48½	56
(*604)	650	22	38	51½	67	77½	85½
Option		Jul	Oct	Jan	Jul	Oct	Jan
Glaxo	550	44	59½	68	11	33	43
(*578)	600	15½	33½	44½	35½	62	70½
HSBC 75p shs	700	38½	68	83½	28½	53½	88
(*708)	750	17½	44	61½	58½	82	94
Reuters	462	21½	34½	–	14	26½	–
(*486)	475	14½	28½	–	21	31½	–
Option		Aug	Nov	Feb	Aug	Nov	Feb
Rolls-Royce	180	14½	22	25½	7	12	15½
(*185)	200	5	13	16½	19	25	27½

* Underlying security price. Premiums shown are based on closing offer prices.
June 17, Total contracts: 35,769 Calls: 13,627 Puts: 22,142

FT GOLD MINES INDEX

	Jun 16	% chg on day	Jun 15	Jun 14	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (35)	1976.13	+0.5	1985.93	1952.59	1784.05	2.13	2367.40	1522.66
■ Regional Indices								
Africa (16)	2909.85	+4.8	2761.47	2805.44	2208.71	4.57	3440.80	1902.23
Australasia (8)	2628.03	-0.5	2641.53	2628.50	1895.86	1.98	3013.88	1683.18
North America (11)	1603.06	-1.5	1627.77	1601.65	1532.16	0.70	2039.65	1363.00

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: June 17: 230.8; day's change: -0.8 points; Year ago: 180.8 † Partial
Latest prices were unavailable for this edition. CONSTITUENT CHANGE WITH EFFECT: 20/6/94; ADDITION: Santa Fe Pacific Gold Corp. (North America)

RISES AND FALLS

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	32	26	14	123	195	42
Other Fixed Interest	3	0	12	8	19	48
Mineral Extraction	83	37	80	281	318	401
General Manufacturers	118	156	385	440	915	1,949
Consumer Goods	28	68	98	139	280	557
Services	85	116	307	344	570	1,630
Utilities	13	24	9	65	114	51
Financials	90	90	193	374	624	967
Investment Trusts	88	74	330	271	542	1,537
Others	59	34	39	220	243	205
Totals	577	625	1,465	2,285	3,700	7,388

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

Calls: Arcon Intl., Border TV, Borland, Bradstock, Brown & Jack., GBE Intl., HTV, Minmet, Navan Res., Ovoca Res., Scott. TV, Techno Diag. Tullow Oil Puts: Arcon Intl., Ovoca Res., Tullow Oil Puts & Calls: GBE Intl., Glaxo, Hillsdown, SmithKL Beech. A, Tullow Oil.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§120	F.P.	69.7	123	115½	Aero. Hamble	122		W3.74	2.6	3.8	12.1
161	F.P.	46.1	166	160	Amey	165		LN1.06	0.8	5.4	29.9
255	F.P.	146.0	267	256	Argent	266		–	–	–	–
100	F.P.	43.3	108	100	Automotive Precs	108		LN4.0	0.8	4.7	35.0
100	F.P.	31.9	103	100	Baillie Gffrd Shn C	103		–	–	–	–
§150	F.P.	30.9	154	150	Brewin Dolphin	150		L5.8	2.3	4.8	11.1
–	F.P.	207.5	81	68	CAMAS	68	-5	uN3.75	0.7	6.9	32.3
–	F.P.	105.9	112	107	CLS	107		–	–	–	–
§143	F.P.	12.5	170	143	Cassell	170		W3.9	–	2.9	11.3
–	F.P.	18.0	36	34	Chime Comms.	34	-1	–	–	–	–
130	F.P.	47.8	143	133	Denby	143	+5	W3.1	2.8	2.7	13.9
–	F.P.	77.7	93	90	Fleming Indian	92½	+½	–	–	–	–
–	F.P.	7.90	60	42	Do Warrants	47		–	–	–	–
225	F.P.	108.3	233	225	Intermediate	232		LN8.9	2.1	5.3	8.1
–	F.P.	–	77	65	JF Fl Japan Wrts	76	+3	–	–	–	–
5	F.P.	4.20	5½	5	Keys Food	5¼		–	–	–	–
200	F.P.	164.1	233	200	‡London Clubs	232		W11.82	1.6	6.4	11.8
105	F.P.	44.2	113	98	Nightfreight	98	-1	R3.38	2.0	4.3	12.9
120	F.P.	34.7	130	125½	Norcor	129		W4.56	2.5	4.4	11.0
–	F.P.	260.8	131	118	Redrow	118	-1	WN2.7	2.5	2.9	15.0
	F.P.	45.1	92	90	Scudder Latin	90		–	–	–	–
–	F.P.	6.16	44	43	Do Wrts	44		–	–	–	–
100	F.P.	24.8	99	98	Shires HY Smlr C	99		–	–	–	–
§95	F.P.	14.1	113	108	Spargo Cons	113		L1.6	1.6	1.8	44.6
–	F.P.	58.8	100	98	TR Euro Gwth C	98		–	–	–	–
100	F.P.	74.9	100	92	TR Prop Inv C	93½	+1½	–	–	–	–
§108	F.P.	45.4	120	108	UPF	120		W3.67	2.7	3.8	10.3

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
150	Nil	–	6pm	5pm	Britton	5pm	
2	Nil	23/7	4pm	1½pm	‡Corp. Services	1½pm	-½
180	Nil	20/7	23pm	3pm	Dixon Motors	3pm	
265	Nil	–	65pm	13pm	Eurotunnel	13pm	-10
425	Nil	–	35pm	18pm	Evans Halshaw	18pm	
105	Nil	20/7	2pm	1pm	Higgs & Hill	1pm	
230	Nil	–	34pm	19pm	Jarvis Porter	19pm	
205	Nil	18/7	28pm	7pm	McAlpine (A)	7pm	-4
100	Nil	25/7	11pm	2½pm	NSM	2½pm	
5	Nil	21/7	9pm	7pm	Standard Plat	7pm	
24	Nil	–	12pm	10pm	Unit	12pm	
250	Nil	27/7	36pm	20pm	Wassall	20pm	-2
73	Nil	5/8	3pm	1½pm	Wates City of Lon	1½pm	

FINANCIAL TIMES EQUITY INDICES

	June 17	June 16	June 15	June 14	June 13	Yr ago	*High	*Low
Ordinary Share	2373.0	2383.4	2399.8	2397.2	2385.5	2252.3	2713.6	2321.2
Ord. div. yield	4.26	4.24	4.21	4.22	4.24	4.11	4.32	3.43
Earn. yld. % full	5.73	5.70	5.68	5.67	5.69	4.97	5.78	3.82
P/E ratio net	18.64	18.73	18.86	18.82	18.75	26.28	33.43	18.59
P/E ratio nil	19.31	19.40	19.53	19.51	19.44	24.45	30.80	19.16

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2391.9	2396.8	2398.1	2387.2	2385.5	2384.8	2384.9	2379.5	2388.8	2399.3	2367.0

	June 17	June 16	June 15	June 14	June 13	Yr ago
SEAQ bargains	31,307	24,062	22,883	23,141	22,939	34,637
Equity turnover (£m)†	-	1373.3	1561.4	1562.2	948.5	1425.2
Equity bargains†	-	25,742	29,963	25,196	24,654	38,401
Shares traded (ml)†	-	613.1	610.6	534.6	373.6	615.0

† Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or −	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£21⅛	−⅛	£25⅜	£21⅛	6,205	5.3	ф
ANZ A$		198	−2¾	278¾	195	2,807	4.7	15.1
Abbey National	NC	422½	+½	523	381	5,543	4.1	14.2
Allied Irish I£	ANC	244	—	314	240	1,807	5.2	9.4
Anglo Irish I£	NNC	62xd	—	70	50	178.9	8.3	9.5
Asahi Y		731¼	−10½	781¼	626	18,971	0.6	ф
Banco Bil Viz Pts		£25⅜	+⅝	£[illegible]	£14⅜	3,553	5.3	6.9
Banco Sant Pts		£27[illegible]	—	£29⅛	£23¼	4,222	4.9	ф
Bk Ireland I£	AC	264xd	—	318	246	1,244	4.9	7.6
Bank Scotland	‡NC	188½xd	+2½	247	172½	2,156	3.3	15.4
8¼pc Pf		115¼	—	141½	114½	115.2	10.0	−
9¾pc Pf		120½	−¼	149½	119¼	120.5	10.1	−
Barclays	‡NC	551½	+3½	640	467	9,135	3.4	23.3
Dai Ichi Kan Y		£12⅝	+⅞	£12⅝	£10⅞	39,285	0.4	69.6
Deutsche DM		£290[illegible]	−5⅛	£344¼	£290[illegible]	13,846	2.1	−
Espirito Santo		£19¼	—	£26⅛	£18¼	285.8	4.2	4.6
First Nat Fin	NC	78	−1	99	60	125.1	2.5	−
6.3pc Cv Pf		80xd	—	90	77	5.38	9.8	−
7pc Cv Pf		141xd	—	171	123	68.9	6.2	−
Fuji Bank Y		1481¼	−6	1549¼	1162½	42,901	0.4	ф
HSBC HK	NC	728	+2	1135	687	12,740	4.0	12.6
HSBC (75p Shs)	NC	708½	−4½	1113	669	5,984	4.2	12.2
Lloyds	NC	583½	+5½	690	530	7,299	4.9	11.9
Mitsubishi Y		£17⅞	−⅛	£18⅝	£15⅝	49,629	0.3	ф
Mits Tst & Bk Y		1061	−20¼	1162¼	667½	14,077	0.5	17.4
Mitsui Tst & Bk Y		617¼	−4¼	679	514	9,781	0.7	27.8
Nat Aust A$	†	529¼	+2¾	620¼	525¼	7,076	4.6	12.5
NatWest	NC	471½	−5½	622	421	7,945	4.9	10.6
Ottomane FFr		£23½	—	£33	£23½	117.5	6.2	ф
Ryl Bk Scotland	‡†NC	429xd	+7	526	382½	3,419	3.5	19.4
Sakura Y		£9	−⅛	£9⅜	£8⅛	29,829	0.6	56.2
Sanwa Y		£14⅞	−⅛	£15⅝	£11⅝	41,501	0.4	ф
Standard Chartd	NC	270½	−6½	369¼	223	2,599	2.8	11.9
7 3/8pc Prf		90½	—	109½	89½	90.5	10.2	−
Sumitomo Y		£13¼	−⅛	£15⅝	£11½	43,149	0.4	29.6

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or –	1994 high	1994 low	Yld Gr's	NAV	Dis or Pm(-)
Perpetual Japan	□	120	+1	120	89	–	114.8	–4.3
Warrants	□	63	—	88	47	–	–	–
Personal Assets		£82½	—	294	£82½	3.0	8369.9	1.4
Pilot Inv	Z□	136	–1	153	125½	0.5	136.2	0.1
Warrants	□	53	–1	69	44	–	–	–
Piper Euro Smlr	□	93	—	96	91	–	93.8	1.0
Warrants	□	33	—	35	33	–	–	–
Primadona		272	—	281	267	2.1	308.8	11.8
Paragon Intl	♣N□	213xd	—	*276	212	0.5	248.1	14.1
Warrants		69	—	140	80	–	–	–
RIT Capital	N□	178xd	–1	189	170	1.1	224.9	20.9
2½pc Cv Ln 2000		£179½	—	£186½	£170½	1.4	–	–
Radiotrust	□	78	—	86	70	–	75.0	–3.8
Rights & Iss Inc		160	—	164	150	8.8	–	–
Cap		486	—	535	440	2.1	521.0	6.9
Riv & Merc Am Inc	N	109	—	121	109	9.1	–	–
Cap	□	32½	—	38	31½	–	44.2	26.5
Warrants		14	—	17	13	–	–	–
Riv & Mer Ext	N□	117	—	147	113	8.3	108.9	–6.9
Warrants		27	—	40	38	–	–	–
Zero Div Pf		110	—	118½	110	–	–	–
Riv & Mer Geared	N	93xd	—	116	93	10.1	–	–
Prfd Cap 1999		24	—	35	24	–	35.1	31.6
Riv & Merc Smllr	N□	124	–3	170	124	4.0	140.1	11.5
Warrants		38	–4	77	38	–	–	–
Riv & Merc Tst Inc	N□	117xd	—	127	114	8.8	–	–
Cap	□	125	—	150	118	–	182.0	31.3
Warrants		31	—	40	31	–	–	–
Do. Stepd Prf	N	159½	—	163	150½	4.7	–	–
River Plate Inc	N□	110	—	113	108	10.4	–	–
Cap	□	85	—	118	82	–	139.7	38.4
Warrants		4	—	11	4	–	–	–
Zero Div Pf		85	+¼	85¼	83¼	–	–	–
St Andrew	N	309	+1	343	290	3.2	323.4	4.5
St David's Inc	N	138xd	+1	142	124	13.1	–	–
Cap		173	—	225	173	–	253.2	31.7
Zero Prf		144	—	151½	142½	–	–	–
Saracen Value	□	88	—	98	87	–	94.4	6.8
Warrants	□	27	—	43	20	–	–	–
SPLIT Inc		188	—	210	170	22.3	–	–
Cap		1065	+2	1235	1073	–	1261.0	14.0
Schroder UK Gwth	□	95	—	99	90½	–	89.1	–6.2
Warrants	□	38	—	38	33	–	–	–
Schroder Split Inc	□	111xd	—	125	111	8.1	–	–
Capital	□	29½	—	37	27½	–	70.1	57.9
Zero Div Pf		104	—	113½	103¼	–	–	–

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

	Notes	Price	+ or –	1994 high	1994 low	Mkt Cap£m	Yld Gr's
Toronto-Dom		9⅝xd	+⅛	11¾	9½	2,977	4.1
Trans Can Pipe	♥	8⅝	+⅛	10⅞	8¼	1,501	5.1

SOUTH AFRICANS

	Notes	Price	+ or –	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£27½	—	£27½	£13½	1,791	2.7	20.1
Barlow		£5¾	—	£6⁵⁄₁₆	£3½	1,030	6.3	9.5
Gold Flds Prop R		101	—	105	76	19.3	9.9	9.0
NK Props.	s	85	—	95	85	3.42	10.5	34.9
SASOL	♥	347	—	382	280	1,988	4.5	–
SA Brews		£13¾xd	+⅛	£15⅛	£10	7,129	2.1	21.8
Tiger Oats	†	675xd	—	830	538	1,014	2.3	14.3
Tongaat-Hulett		742	+18	742	434	555.3	2.1	20.7

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension.
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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FINANCIAL TIMES
Weekend June 18/June 19 1994

Mitsubishi's non-performing loans double under US rules

By Gerard Baker in Tokyo

Evidence of the damage inflicted on Japanese banks by bad loans emerged yesterday when Mitsubishi Bank disclosed that its non-performing loans – calculated by US accounting standards – were almost double the amount disclosed in Japan.

Mitsubishi, one of the 11 main commercial Japanese banks, is listed on the New York Stock Exchange where it is required to file accounts to conform with Securities and Exchange Commission criteria. It reported bad loans of Y1,150bn (£7.3bn) for the year ended March 31, against a figure of Y572bn yen in its Japanese accounts last month.

In the late 1980s, the so-called "bubble era", Japanese banks provided vast sums to companies, many of which indulged in speculative property and stock investment that cost them dearly when prices collapsed and the economy contracted.

Under Japanese rules, banks count as non-performing only loans to bankrupt companies and to those with interest in arrears for six months or more. US accounting practice requires banks to disclose the amount of restructured loans, on which interest payments are reduced in order to keep borrowers afloat.

Japanese banks have been forced to restructure loans to many troubled clients, but the extent of the damage has been unclear. Mitsubishi disclosed that its restructured loans jumped by 182 per cent overall in the year, while its restructured loans to businesses in Japan rose 272 per cent. According to its Japanese accounts, total problem loans rose by 14 per cent over the same period.

Mitsubishi is generally regarded as one of the strongest of the Japanese banks. Its non-performing loans declared in Japan represent 1.8 per cent of total loans, against a sector average of 3.8 per cent. The US results show that figure to be closer to 4 per cent, and if other banks' restructured loans are in the same range as Mitsubishi's, some may have non-performing loans representing 13 per cent of their loan book.

Another sign of the difficulties of Japanese banks came yesterday when bank officials suggested that the annual wage increase at the 11 main commercial banks might be the lowest on record.

Employers have offered a pay rise of just 0.7 per cent in response to union demands for a 1.5 per cent increase, and the final figure is likely to be closer to the employers' offer.

Japanese accounting procedures have been widely criticised for not giving a true picture of bank balance sheets, and investors have had to guess at the likely total of non-performing loans. In Mitsubishi's case, the most pessimistic independent estimate – by Salomon Brothers, the US securities house – put the probable figure around Y740bn, well below the new figures released.

Ruling may force Italy to raise taxes

by Robert Graham in Rome

Italy's Berlusconi government indicated yesterday that it would be prepared to break a campaign promise and raise taxes to cope with a constitutional court decision ordering the payment of L30,000bn (£12.3bn) in pension arrears.

In advance of a cabinet meeting late yesterday, officials said the government would adopt a twin-track approach. The preferred option was to suspend implementation of the court decision and stretch payments over a period of years.

If that proved legally impossible, though, the government would impose a one-off "constitutional court tax", so named to underline that the court's decision was behind the tax increase. During his election campaign, Mr Silvio Berlusconi promised to cut taxes.

Fears that the pension payment would breach the 1994 budget guidelines and push the public-sector deficit back above 10 per cent of GDP caused sharp falls this week on the Milan bourse and in the bond market. Matters were made worse by the government's delay in clarifying the precise cost of the court decision.

The uncertainty has also affected the lira, which closed against the D-Mark yesterday at L983, compared to L958 when Mr Berlusconi was named premier a month ago.

Lawyers have raised doubts about suspending or not fully implementing the court decision. The court itself says it would be difficult for parliament to endorse any measure that sought to bypass its authority.

Mr Giancarlo Pagliarini, the budget minister, made clear on Thursday that, if the arrears have to be paid in full, the 1994 budget deficit would still be held down to the target of L154,000bn. That would mean either postponing payment until the 1995 budget or immediately introducing a special tax.

On Thursday evening, union leaders reacted angrily to a government decision to impose the one-off tax on pensioners who would benefit from the arrears payments. They threatened immediate action if that were to happen and the government retracted the proposal, indicating that the cost would be spread evenly.

The unions also protested that the government had long been aware of the court's impending decision and of its likely impact on the budget.

Whatever approach the government adopts, market analysts said the government needs to produce broad outlines for its 1995 budget strategy as soon as possible.

Even without the burden of the pension arrears, government critics have suggested this week that its first measures – unfreezing public works contracts and introducing tax breaks for new investments and job creation – will add to the 1994 budget deficit.

Bond prices and dollar hit by fears of rising inflation

By Tracy Corrigan, Graham Bowley and Motoko Rich

Government bonds slid yesterday while the dollar fluctuated sharply, as markets were haunted by fears of rising inflation and interest rates and large budget deficits.

Political uncertainty after the European elections reinforced the bearish sentiment present that has dogged the markets since the start of the year. During the week, German, French and Italian bond prices hit lows for the year.

Meanwhile, US Treasuries were bruised by a falling dollar, climbing commodity prices and data showing a rise in consumer confidence, all of which fuelled fears of further rises in US interest rates.

In late trading in Europe, the dollar fell sharply against the D-Mark. Within the space of half an hour, the dollar lost two pfennigs in New York trading after closing in London at DM1.6299.

Nervous markets reacted badly to a report that the Conference Board, an independent think tank in New York, had said the dollar might fall 10 per cent against the D-Mark over the next 18 months.

The US bond market outperformed European markets last week, as German bond prices fell 3 points, forcing 10-year German yields above US Treasuries for the first time since last November. The 10-year German Treuhand yield ended the week at 7.14 per cent, higher than the 10-year Treasury at 7.12 per cent.

Ms Marie Owens-Thomsen, international strategist at Midland Global Markets, said yields on German bonds might rise by another 50 basis points, compared with short-term interest rates, suggesting that European markets will continue to underperform the US.

Government bond prices are highly volatile, due to thin trading volume. Large buy or sell orders – or even rumours of liquidations – are causing sharp price movements, and there seems little hope of any immediate improvement in sentiment.

"Institutions generally don't like to buy falling markets," said Mr Phillip Saunders, fixed interest investment director at Guinness Flight. "Indeed, with the end of the quarter in sight, some people are throwing in the towel" and sell bonds.

Italian bonds posted the worst losses last week, as concerns about the new government's handling of the budget deficit mounted.

The difference between Italian and German 10-year bond yields, which reflects the differing degree of investor confidence in the two markets, widened to 388 basis points on Friday from 310 a week earlier.

Currencies, Page 13

US policy clash over N Korea

Continued from Page 1

activation of joint North Korean-US search teams to look for the remains of US soldiers killed in the 1950-53 Korean war.

Although yesterday's talks may ease tensions on the Korean peninsula, they did not directly address the issue of full nuclear inspections that lies at the heart of the 15-month dispute.

The IAEA wants to examine the nuclear facilities to determine whether plutonium was diverted in 1989 to build atomic bombs. North Korea has blocked IAEA access to two suspected nuclear waste dumps and threatened to withdraw from the NPT. It may have destroyed evidence of activity by withdrawing spent fuel rods from the reactor without allowing the IAEA to analyse them.

Mr Kim told Mr Carter he would allow full inspections if the US granted diplomatic recognition and economic aid.

THE LEX COLUMN

Staying afloat

They scarcely need reminding, but gilts traders will certainly see yesterday's floating rate auction announcement as another sign of how difficult market conditions have become. The Bank of England has not auctioned conventional medium-dated stock since February. While the floating rate device spares the need for abrupt cancellation of auctions in the unfortunate manner of Germany, Austria and Spain, it must hope that normal business can be resumed soon. There are sensible reasons for issuing floating rate debt, but they will fail to convince if such auctions become a habit.

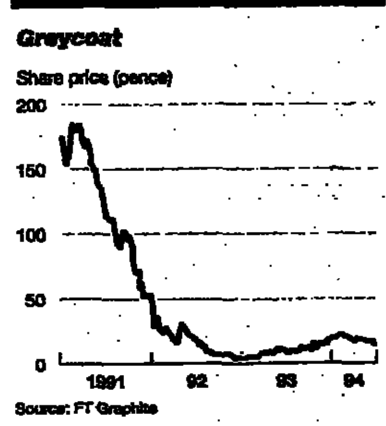
As long as the Bank believes in its own ability to hold inflation down – and therefore base rates at reasonable levels – floating rate borrowing may turn out cheap. The trouble is that the more frequently the Bank issues floating rate debt, the more its critics will worry that it is adding to inflationary risk. Some economists are already anxious about the expansion of M0 money supply and the low real level of short-term interest rates. Since the main buyers of floating rate gilts are banks, they will fret that the Bank is monetising government debt as well.

Such mutterings are muted at present. But they are bound to grow louder if many more floating rate issues appear. That speaks for the occasional large issue rather than a continuing series of smaller ones. The first floating rate gilt was a modest £2.5bn affair that has proved to be illiquid. The Bank would appear under better control of its funding policy if it now risked a much larger floating deal. It could then announce that no more floating issues were to follow and that it would not return to the fixed rate market until conditions really do improve.

Greycoat

Yesterday's £47m rights issue from Greycoat underlines how much baggage many property companies are still carrying. Like Wates City of London's cash call on Thursday, Greycoat is making a second demand only months after asking shareholders to rescue it from the brink. Also like Wates, a large slice of the proceeds will go towards refinancing an existing property. Greycoat is taking full control because a partner is unwilling to put up additional funds when outstanding debt falls due. One wonders how many more recently distressed property companies will be tempted to come back for a second helping.

FT-SE Index: 3022.9 (-7.2)



Source: FT Graphite

By pricing its rights at a 30 per cent discount to net asset value, Greycoat is at least offering something like fair value. Although the company will still be 137 per cent geared after the issue, most of its debt is fixed rate. With its portfolio fully let, servicing the debt burden out of rental income should not cause sleepless nights. The company's largest properties are also in the west end of London, where the prospects for rental growth are brightest.

With some of its largest tenants already paying higher rents than the market norm, though, much depends on Greycoat's ability to add value though development. Its interest in sites such as Paternoster Square, near St Paul's Cathedral, certainly gives plenty of scope. Finding the right institutional partners and striking attractive development deals will be the real test.

Recs

The other regional electricity companies are set to follow Eastern Electricity down the share buy-back route. This week London and SWALEC said they would seek authority to buy back up to 10 per cent of their equity. Southern and SWEB also plan to ask shareholders for permission.

The recs are unlikely to act until Prof Stephen Littlechild, the industry regulator, finalises price caps for their distribution businesses in August. But it is hard to see the price regime being so tough that their scope to restructure their balance sheet vanishes. At worst, their current cash inflow could turn into a modest cash outflow. But, given the starting point of low or zero gearing, there would still be an opportunity to buy back equity.

For shareholders, there are three main benefits. First, it should boost shareholder returns. Second, there would be less danger that rec managements would embark on foolish diversifications if they were no longer flush with cash. The record to date has been, at best, patchy. Third, it would be better to have the cash out now than risk dividend controls or punitive regulation under a future Labour government. For all Mr Tony Blair's talk about creating a "dynamic market economy", that must be a possibility. Managers have an incentive to buy back shares too. If they do not, they will attract predators when the government's golden shares expire next year.

LVMH/Guinness

It did not take the equity market long to figure out that the restructuring of LVMH's relationship with Guinness might be a better deal for the French company than first appeared. It has allowed LVMH to focus more closely on its luxury goods and perfumes business, which has so far enjoyed a stronger recovery than champagnes and spirits. The result is a 22 per cent rise in turnover in the first five months and an official forecast of a 30 per cent rise in first-half earnings. Cognac sales suffered a striking slowdown during the last couple of months while champagne turnover is up only 10 per cent so far this year.

On the basis of such figures it is not surprising that LVMH shares have out-performed Guinness by some 20 per cent since the restructuring was announced. Yet, it would be wrong to conclude that Guinness had fumbled the affair. The deal should still turn out to both companies' advantage. The difference is one of timing.

Given Mr Bernard Arnault's broad ranging ambitions for LVMH, it made sense for Guinness to home in on the drinks side. Moreover, it added to its interest in Moët Hennessy at the bottom of the cycle. Economic recovery and a lower price of grapes should eventually put some fizz back into champagne sales, while the rising Tokyo stock market may tempt Japan's salarymen to splash out on expensive drinks again. The trouble, as before with Guinness, is that recovery is painfully slow. It does not help that no replacement has yet been found for Mr Crispin Davis, who resigned as head of its spirits business last October.

FT WEATHER GUIDE

Europe today

A frontal zone, which forms the boundary between cool and changeable conditions in northern Europe and warm air over southern Europe, will stretch across the British Isles, the Low Countries, northern Germany, and Poland. These regions will be mostly cloudy, and there will be outbreaks of rain, especially over Scotland, Denmark and northern Germany. Southern Norway and Sweden will also have rain, followed by scattered showers. Further south, it will be sunny and quite warm, especially over Spain. Low pressure will hang over southern France and trigger localized heavy thunder storms. Italy and Greece will have widespread sunshine and temperatures will be between 25C and 30C in most places.

Five-day forecast

The Mediterranean will stay sunny, although during the weekend, Italy will have a few thunder storms. Western Europe will be mainly influenced by a ridge of high pressure, which should bring sunny spells and near normal temperatures. Northern Europe will remain relatively cool and unsettled over the weekend and this will be followed by a gradual warming trend next week.

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	40
Accra	fair	29
Algiers	sun	34
Amsterdam	cloudy	20
Athens	sun	30
Atlanta	thund	31
B. Aires	rain	17
B.ham	cloudy	21
Bangkok	cloudy	34
Barcelona	sun	27
Beijing	sun	35
Belfast	shower	17
Belgrade	fair	29
Berlin	shower	22
Bermuda	fair	29
Bogota	fair	19
Bombay	rain	32
Brussels	fair	25
Budapest	fair	27
C.hagen	rain	15
Cairo	sun	34
Cape Town	fair	15
Caracas	cloudy	25
Cardiff	cloudy	19
Casablanca	sun	24
Chicago	thund	32
Cologne	fair	26
Dakar	fair	28
Dallas	fair	35
Delhi	sun	42
Dubai	sun	41
Dublin	cloudy	19
Dubrovnik	sun	28
Edinburgh	rain	18
Faro	sun	23
Frankfurt	fair	29
Geneva	shower	28
Gibraltar	sun	26
Glasgow	rain	16
Hamburg	shower	19
Helsinki	fair	19
Hong Kong	shower	29
Honolulu	fair	31
Istanbul	sun	26
Jakarta	thund	31
Jersey	fair	17
Karachi	cloudy	35
Kuwait	sun	42
L. Angeles	sun	25
Las Palmas	sun	25
Lima	cloudy	20
Lisbon	sun	23
London	fair	25
Lux.bourg	fair	26
Lyon	shower	31
Madeira	fair	23
Madrid	sun	31
Majorca	fair	30
Malta	sun	29
Manchester	cloudy	18
Manila	cloudy	33
Melbourne	rain	17
Mexico City	fair	20
Miami	fair	31
Milan	sun	30
Montreal	cloudy	30
Moscow	fair	16
Munich	fair	27
Nairobi	cloudy	24
Naples	sun	29
Nassau	fair	32
New York	fair	33
Nice	fair	25
Nicosia	sun	30
Oslo	shower	15
Paris	fair	30
Perth	cloudy	18
Prague	cloudy	26
Rangoon	cloudy	30
Reykjavik	shower	11
Rio	fair	24
Rome	sun	28
S. Frsco	fair	21
Seoul	fair	26
Singapore	thund	32
Stockholm	fair	20
Strasbourg	fair	30
Sydney	fair	17
Tangier	sun	22
Tel Aviv	sun	30
Tokyo	fair	27
Toronto	fair	30
Vancouver	cloudy	18
Venice	sun	27
Vienna	cloudy	27
Warsaw	cloudy	21
Washington	fair	32
Wellington	cloudy	11
Winnipeg	cloudy	23
Zurich	fair	27

Weekend FT

SECTION II Weekend June 18/June 19 1994

Religion: are we better off without it?

The age-old dispute between science and religion has resurfaced. But science has the moral high ground, says ***John Postgate***

Why is it that a society that has reaped such enormous benefits from science should have developed such a widespread suspicion and dislike of it?

Consider, for example, the following from a columnist in the *The Oldie* magazine. "Modern science has become a lucrative, prestigious racket, maintaining its hold over us by force and propaganda ... It is expensive, dirty and dangerous. It is eating up the world's resources, spreading filth over its surface and creating ever more lethal devices ... Despite the billions that have been lavished on medical research, there has been ... no significant reduction in deaths from cancer and heart disease."

This shows all the petulant silliness that has informed much recent anti-science writing, and reflects a widespread outlook, which almost always includes a Christian or Islamic bias. Why has the old dispute between religion and science resurfaced in so crude a form?

The reason, I suggest, is that science has come to occupy the high ground of morality, which has prompted bizarre attacks against it. Moral superiority may seem an odd defence against accusations that science is responsible for almost all of the environmental and social problems of the modern world, but the effect of science is not the central issue. It is an old truth that science is neutral, that its applications are as good, or as evil, as people make them.

Some recent attacks on science have been more subtle. It has been argued that the neutrality of science means that it is dehumanising. Being neutral, it imposes no spiritual or moral value. It denies the existence of God and rejects any transcendental purpose to justify our existence. It belittles mankind's status in the universe, and threatens a reductionist, materialist interpretation of our thinking and being; it dismisses the possibility of rewards and retribution in an after-life, and enjoins no imperatives towards goodness, kindness, altruism, or even considerate behaviour towards one's fellows. In short, it is amoral as well as inhuman.

I will not rehearse the counter-arguments, that science is as spiritually rewarding as a religious experience. Arguments about spirituality are sterile, but those about morality are not. And science is far from being amoral; it imposes a stern, austere morality on its practitioners, one which pervades their lives and results from the fundamental nature of science.

Science is a continual linking together of observations and experiences, codified as self-consistent logical structures (catalogues, hypotheses and theories) into what we call knowledge. It requires a particular way of thinking about the world, which we call reasoning.

This is not to say that scientific inspiration is necessarily rational; often it is not. But before an observation or concept becomes part of the logical structures of science, it must be seen to be rational when dovetailed into the existing body of knowledge.

Those structures are constantly open to challenge and modification, which is the crucial difference between science and religion. There are no dogmas, no absolute certainties, in science; what are thought and spoken of as scientific truths are simply probabilities so high that we can treat them as if they were certainties. Science approaches ever closer to the truth, but never gets there. So for a scientist there is no absolute truth.

Why, then, does anyone bother to seek knowledge? For the same reasons that a baby or a puppy explores the world around it; there is no other way. The more we understand our surroundings and can foresee opportunities and events, the safer and happier we feel. This search for what we call scientific truth imposes its own morality of honesty, co-operation and sharing.

These virtues are imposed not by priests or mystical authority, but by utterly practical considerations. You do not, as a scientist, advance knowledge or your own reputation if you are guilty of deception, or self-deception; nor if you disregard unwelcome or inconsistent evidence, nor yet if you conceal rather than share data.

Why? Because deception, plagiarism and falsification of evidence will be found out, usually very soon; self-deception will engender contempt; concealment, such as failure to publish, will be self-defeating through loss of scientific credit; but above all such behaviour will delay scientific progress.

Of course, there are scientific cheats and fraudsters, but they are happily rare. The most common transgression today is probably concealment. It happens for reasons ranging from industrial or military secrecy to gaining an advantage in a race for publication. It rarely amounts to more than a delay in announcing one's findings, and it is always shaming. Fudging results to support a point of view is probably the next most common transgression, but it is rare because every scientist knows it is ultimately pointless.

Of course, scientific communities have their share of jealousy, greed, prejudice and envy, but all scientists know that in the end progress depends on openness and the sharing of data. Opinions and convictions may be held as strongly as in any walk of life, but a window of open-mindedness and self-criticism is essential.

This becomes a general outlook which can make scientists exasperating to live with; it is also the reason why so few scientists are to be found in politics, or hold religious beliefs. Those scientists who are religious have to think in compartments, closing down for religious thought the critical faculties that they would use for scientific work.

Yet in spite of the strong moral foundation of science and the material progress which it has delivered, scientists must be careful not to underestimate the benefits of the world's religions. They have given purpose, morality and social coherence to people's lives. They have nurtured art, learning and literature and, in earlier times, produced the substantial technical and material benefits which stemmed from religious architecture and land use.

So if one counts up the benefits of science and religion, the score is roughly equal. But the world's religions have also brought the horrors of human sacrifice, crusades, pogroms and inquisitions. In the modern world this darker side of religion has become dangerous. For unlike science, religion is not neutral; it tells people what to do. And one of the things it tells them is, "Kill the infidel".

Just consider, for example, Ulster, Yugoslavia, Israel, Iran, Iraq, Sudan, Kashmir, Armenia and Azerbaijan to-day; observe Protestant, Catholic, Serbian and Russian Orthodox Christians, Jews, Shia and Suni Moslems, Hindus, Sikhs and minor sects, in their tens and hundreds of thousands, murdering each other, often in revoltingly medieval ways. All in the name of their god or gods.

It is sometimes claimed that the conflicts are not religious but ethnic, tribal, nationalist or political. A few surely are – especially in Africa, for example, where genuine tribalism persists – but try asking those who are sniping and shelling in Bosnia, shouting slogans in Tehran and Baghdad, sacking temples in Kashmir, shooting tourists in Egypt, planting bombs in British shopping malls.

Some say that these fundamentalist killers are deviants, distorting the true teachings of their religion and perverting its morality; that these modern-day holy wars are a negative fall-out of religion, analogous to the pollution, environmental damage and unethical experiments which disfigure the applications of science.

There is something in this, but it does not stand up to close examination. Most religions do indeed forbid killing; a few of the belligerents are mindless thugs, sadistically disobeying this injunction; but most such fighters are ordinary people, following a religious imperative. They find support from their myths and texts, among their priests and their silent co-religionists, because retribution is part of religion. In some devious way they are convinced that they are carrying out their god's will.

Therein lies the moral advantage of science. Its morality is incompatible with such imperatives: scientific principles, and logic, cannot be construed as incitement to mass killing, or even individual murder. Science has had its back-sliders: a few scientists have shown themselves capable of murder in the name of research, as happened in Nazi Germany and Japanese prison camps during the second world war. Doubtless, too, there are enthusiastic participants in the current spate of religious conflicts who, in another compartment of their minds, are moral and dedicated scientists.

Every walk of life has its aberrants, but can you imagine scientists, in hundreds, thousands, tens of thousands even, arming themselves and murdering, torturing and maiming their fellow beings for some scientific principle or "truth"? Many people will need religion for decades to come, probably for centuries, because science is comparatively young and the morality it imposes, by example and not precept, is still inaccessible to many people. But today religion, with its backbone of retribution, *jihad*, crusade and battle, presents a threat to mankind that is quite as serious as any of the environmental and social perils attributed to science, and much more immediate.

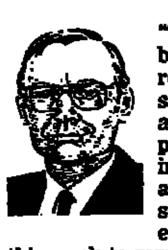
A couple of years ago, I remember a scholar of Byzantine history saying he hoped that "mankind will soon learn that religion is too important a matter to kill each other about". It took me two days to realise how tragically mistaken that thought was. I wished him to say: "If only mankind would learn that religion is too *unimportant* a matter to kill each other about."

John Postgate FRS is emeritus professor of microbiology at the University of Sussex

CONTENTS

The Long View/**Barry Riley**

Teenage masterminds



"This time it's going to be different." It is the regular plea of the salesman, the politician and the bad payer, but prudent long-term investors will prefer to assume that things will stay much the same. We even had a rail strike this week to remind us of the old days.

Kenneth Clarke, chancellor, told the City on Wednesday that there would not be another boom-and-bust cycle. But many Tory backbenchers see tax-cutting as the only means by which they might salvage their parliamentary seats at the next general election. In any case, coldly calculating City investors will reason that in two or three years' time the Tories could be swept away and replaced by a Tony Blair-led Labour government with a commitment to full employment.

So far, certainly, the British economic recovery looks like a throwback to the past. Consumer spending has been the engine of recovery, based on a falling rate of savings, and import volumes have been rising faster than export volumes. Compare this with the recovery now beginning in Germany, where domestic consumption is flat but export orders are rising sharply.

History suggests that although the Treasury may not repeat its mistakes it is liable to make a new one. This is the department, remember, that guided the British economy into the Lawson boom of the late 1980s, when an economic miracle was declared; that steered the economy into a deep recession that John Major had said need never happen; and next, directed us into the European exchange rate mechanism which we would never be forced to leave. As for current policy, it is ill-defined but is somehow based on regular discussions between Kenneth Clarke and Eddie George at the Bank of England, who between them will manipulate short-term interest rates at precisely the right time.

But they are like old soldiers re-running the D-Day invasion when today's battles are developing elsewhere. The big problems now concern *long-term* interest rates, which have been rocketing up all year. Not only has this taken the Treasury by surprise but it shows little inclination to grasp what is going on or to realise that there will be important policy implications.

Kenneth Clarke's contribution on Wednesday was, rudely, to accuse the City markets of being "schizophrenic" in that traders and investors were panicking over inflation when the analysts and economists in the next office were forecasting that the government's targets would be immaculately reached.

Personally, I can no longer use the word schizophrenic in this column. When I do, the Schizophrenia Association of Great Britain complains that I am trivialising a distressing condition. Quite. In any case, Clarke has got it completely wrong, in two ways.

The allegedly perspicacious analysts, are part of the sales teams used by the big securities houses to persuade investors to buy stocks and bonds, including billions of British government gilts. There is no reason why traders and investors should take what they say at face value, any more than they should have put their money behind Clarke's promises on Thursday morning (which they did not).

Secondly, it is misleading to suggest that inflation is the main problem. Certainly, many investors are expecting some cyclical pick-up over the next year or two (to 4 per cent by the end of next year, according to the latest Smith New Court/Gallup opinion survey). Yet this scarcely explains why gilt yields have jumped by more than two percentage points this year, still less why German ten-year bond yields this week rose above corresponding returns on US Treasuries.

Could it be that we are finally heading for the global capital shortage which has been much predicted? It was temporarily deferred by last year's speculative bond market bubble but, with economic recovery now getting under way in continental Europe, the conditions for a serious global capital squeeze are slotting into place. The boom continues in the third world, and the former Communist states of eastern Europe are accelerating, not least in their demands for imported capital. Investment demands are rising globally. Only the continued recession in Japan offers a moderating influence and a compensating flow of savings.

A couple of years ago, the Treasury mapped out its recovery strategy against the background of a growing and liquid global bond market. The UK could run very large twin deficits – a public sector borrowing requirement which peaked at £43bn in 1993 and a balance of payments deficit which was £11bn last year and is likely to rise. We could live beyond our means and borrow the difference. A recovery based on high consumption and declining savings could be tolerated. Sometime like, er, 1999 we would eventually return to balance.

The UK was not, of course, alone in this. Too many countries have tried to put their snouts in the same trough. Some face worse problems, such as Spain and Italy where government bond yields are above 10 per cent.

In a world of scarce capital, borrowing is not a cheap and easy option. Even last year the Bank of England was reluctant to issue long-dated gilts at 7 per cent or less, but now it faces market rates of over 8½ per cent. The policy response is likely to be to roll over the accumulating deficit on a short-term basis, largely through the banks, but that will threaten loss of monetary control (now troubling the Bundesbank) and an eventual confidence crisis.

A different economic strategy is required: further tax increases to curb consumption and reduce the deficits. In a growing world economy there is scope to rely much more heavily on exports to support output and employment. And when capital is expensive it pays to be a lender, not a borrower. That does not look like a way of winning an election. But it really *would* be different.

MARKETS

London

Where are the benefits of growth?

Roderick Oram

There was a time when guests of the Lord Mayor of London strode into his official residence, the Mansion House, under a pediment depicting "The City of London trampling on Envy and receiving the benefits of Plenty".

The pediment is still there, but guests on Wednesday slipped in through a side-door, now the devalued main entrance, to hear Ken Clarke give the chancellor's annual speech to the Mayor and City. He promised that the government had forsworn boom-time policies based on "a fraudulent, inflationary, feel-good factor", which inevitably led to busts.

But if the Government has stomped on inflation, where are the benefits of growth? A raft of economic statistics released this week showed that inflation was indeed moderate but growth was worryingly weak in some respects.

The markets had to cope with this and several disturbing external factors such as rising commodity prices in the US and acute tension over North Korea. Commendably, London equities held their own even as their nemesis, the European bond markets, fell further. Despite these pressures, the FT-SE 100 index slipped only 33 points to end the week at 3,022.9.

A rising stock market is a leading indicator, running perhaps some 18 months ahead of economic growth. Judging from the accompanying chart, however, the stock market has been ambling along over recent years, foreshadowing very moderate growth at best.

This year and next, gross domestic product will rise by 2.8 per cent, according to the consensus forecast of 36 predominantly City firms. But four of them – Citibank, Kleinwort Benson, Panmure Gordon and Robert Fleming – expect growth to be well below 2 per cent next year.

The gloomsters were quick to seize on the dark lining to every silver cloud in the economic sky this week. Factory output prices rose only 0.1 per cent in May from the previous month, but input prices were up 0.9 per cent thanks to higher prices for oil and other commodities. Retail prices excluding mortgages were up 2.5 per cent in May from a year earlier but sales volume was virtually flat. The growth rate of average earnings moderated slightly in April to 3.75 per cent but the unemployment rate slipped 0.1 of a percentage point to 9.4 per cent in May.

Kleinwort Benson identifies a number of weaknesses in the economy. These include: the wearing off of the one-off boost to consumer spending from lower interest rates; stagnant employment growth, which will lead to only a moderate rise in real personal disposable income; particularly meagre export orders, now that the post-ERM devaluation benefits have passed; and the creation of a fiscal policy, due to the government's extensive spending cuts, which is "even more deflationary than the Howe budget of 1981".

Given this flaccid economic outlook, there is no reason for an interest rate rise, Kleinworts said. In fact, close scrutiny of the minutes of meetings between the chancellor and the governor of the Bank of England, Eddie George, show that the chancellor is aware the economy might slow and that he is prepared to act if it did.

For his part, governor George told the Mansion House audience that a rise in interest rates would be the right response to underlying strength in the economy and the prospect of rising inflation. This was taken by some in the City to mean that interest rates were about to rise.

But for Robin Aspinall of Panmure Gordon, the risks lie on the downside. He believes that the Governor is too obsessed by the danger of inflation. "We are rapidly approaching the point where the economy will demand still-lower interest rates, yet Eddie's paranoia threatens us with the biggest economic error of judgment since Nigel Lawson was made chancellor."

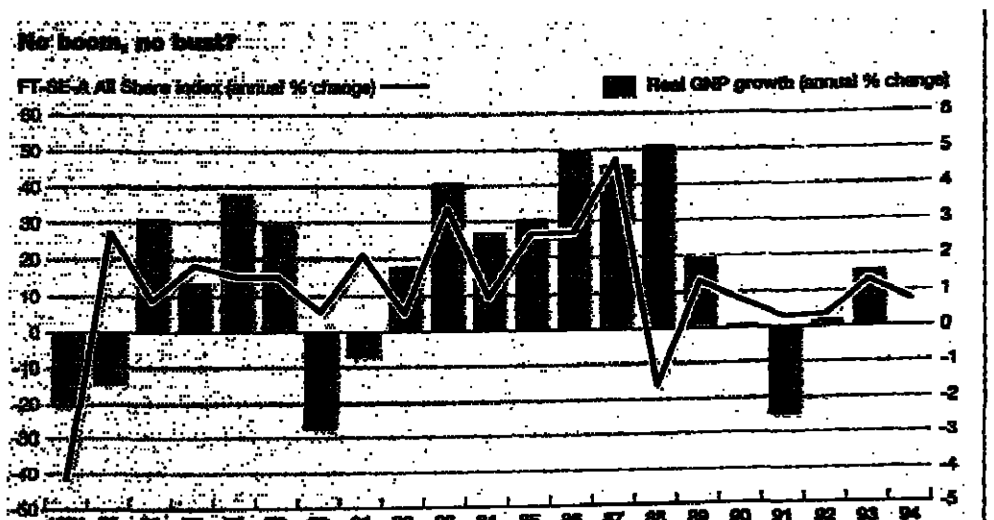
If rising oil prices did anybody any good this week, it was British Petroleum and Lasmo. BP shares ended the week at 411½p, matching their all-time high. Buying of the stock continues strong on both sides of the Atlantic and will accelerate if, as expected, the Clinton administration approves the export of oil from BP's Alaskan fields.

For Lasmo, a rising oil price could float it off the rock of Enterprise's takeover offer. The bidder marginally improved its terms on Tuesday; no cash is on offer but Lasmo shareholders would end up with 44.5 per cent of the enlarged group rather than the 40 per cent first proposed.

But Lasmo shares are a good play on the crude price. A number of key institutions holding both Lasmo and Enterprise shares might prefer to maximise that opportunity by keeping the two companies separate. The offer closes on July 1.

A number of departures of varying kinds were flagged by companies this week. Amstrad is moving away from "pile-it-high, sell-it-cheap" retailing by buying Viglen, a maker and direct seller of computers; Glaxo is saying goodbye to Sir Paul Girolami, its chairman through its breath-taking organic growth. He distrusted acquisitions so the company might now warm-up to a large takeover; EMAP turned itself into the third-largest publisher of consumer magazines in France through £108m of purchases; and Central Railway launched a £6m placing, seed money for its multi-billion pound plan to build a 180-mile railway from Leicester to the Channel Tunnel. It would be the first new mainland route in more than 50 years.

If Central's trains ever run, they would plunge through the Eurotunnel portal in Kent. Judging by Eurotunnel's plunging share price this week ahead of the close next week of its rescue rights issue, a pediment should be erected over the entrance: "Bankers trampling on equity and receiving the benefits of penury".



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1994 High	1994 Low	
FT-SE 100 Index	3022.9	-33	3520.3	2931.9	Commodity prices rise
FT-SE Mid 250 Index	3527.1	-81.4	4152.8	3537.7	Over-the-counter options expire
Barclays	561½	+15½	640	487	Hoare Govett upgrade
British Gas	265½	-28	358	259	Ofgas report/dividend threatened
British Petroleum	410	+21	414½	340	Oil price hits $17
Eurotunnel Uts	288	-54	592¾	288	Fears of low take up of rights
Glaxo	579	+18½	725	520	Chairman retires
NFC	189	-23	291	187½	Interims disappoint
NatWest Bank	471½	+12½	622	421	NatWest Secs "buy" recommendation
RMC	823	-67	1079	813	Interest rates fears
Rea Brothers	59	-17	79	59	Profits warning
Sainsbury (J)	*416½*	*+21½*	*480*	*342*	*Yamaichi "buy"/possible ADR*
Shoprite	59	-21	243	51	Loses contract
Southern Business	42	-32	104	41	Interim profits down 56%
Wagon Industrial	473	-25	527	451	Acquisition

Serious Money

Clients who face a life sentence

Gillian O'Connor, personal finance editor

Life insurance companies are inured to criticism. This is fortunate, for the Office of Fair Trading (OFT) has just put in the boot again.

It is already common knowledge that if you cash in a life insurance policy early, you will probably get back less than the premiums you have paid over. In some cases, you get nothing back for the first couple of years.

Yesterday's OFT report on surrender values – what you get back if you cash in a life insurance policy early – makes a few commendably simple points:

■ The higher the proportion of policyholders surrendering early, the more money some companies make.

■ There is a suspiciously close correlation between companies with a high proportion of policyholders surrendering early, and those with miserly surrender values.

■ If you average out policyholders' returns (to include both those who surrender early and those who stay the full term), returns from some companies are negligible or negative.

No wonder the OFT is moved to question "the extent to which [certain companies] are likely to be working in the interests of their customers".

A second major cause of concern is the wide variations in surrender values between different companies. These are most dramatic in the early years. But even after five years, pay-outs can vary by more than 50 per cent. How many ordinary customers know which companies are likely to impose the biggest penalties?

The OFT also highlights the close connection between surrender penalties and charges. Surrender penalties are really charges under a different name. When the explicit charges fail to cover the initial costs of getting the customer on their books in the early years, surrender penalties plug the gap. So, when your friendly insurance salesman spells out the policy charges, do not forget the sting in his tail.

■ ■ ■

Our series of articles on investment charges (page VIII this week) shows how hard it is for investors to work out the true costs of investing. We reviewed only the most popular types of equity-based investments: unit and investment trusts, shares, personal equity plans, life insurance and pension plans.

All have several different charges, and the charges vary from one type of investment to another. It is hard enough to make meaningful cost comparisons even between investments of the same type; virtually impossible to do so for different types of investment.

How much does this matter? Costs are pretty tedious and conventional wisdom insists, rightly, that performance matters more than costs.

True. But although low charges cannot turn a bad investment performance into a good one, high charges can damage a good performance seriously.

■ ■ ■

How about this as an irresistible offer? "Give us £10,000 now and we guarantee to give you back £8,500 over the next five and a half years: ie, you will get no interest and lose 15 per cent of your original capital."

Not tempted? Try this one. "If the FT-SE 100 index doubles over the five and a half year period, we will give you back £16,000: ie, your original capital of £10,000 plus £6,000."

Better, but still not very alluring. If you invest in the FT-SE 100 itself, and it doubles, you will get back a total of £20,000 plus more than £2,000 in income.

Enough of such titillation. The product we are talking about is called Millenium Monthly Bond, and its message to investors in advertisements is rather different: "10% p.a. paid monthly free of basic-rate tax," says the front page of its leaflet. The figure 10 is more than 2in high.

Further down the leaflet, in smaller type, come the details about minimum and maximum total returns which we quoted at the beginning.

The deal is fairly simple. Your 10 per cent monthly income rolls in come hell or high water, and totals £5,500 over the whole period. What you need to keep your eye on is the return of your original capital.

The basic guarantee is that you will get back 30 per cent of it. If the FT-SE rises by between 4.99 per cent and 9.99 per cent, you will get back 100 per cent. Your maximum possible capital return is 105 per cent, which you get if the index rises by 10 per cent or more.

General Portfolio, the insurance company which sells the bond, points out that stock market growth for similar periods of time has averaged 9.3 per cent. What it does not point out is that its chosen reference period includes two of the biggest bull markets of modern times. Many pundits argue that these returns were exceptional, and are predicting much lower ones in the 1990s.

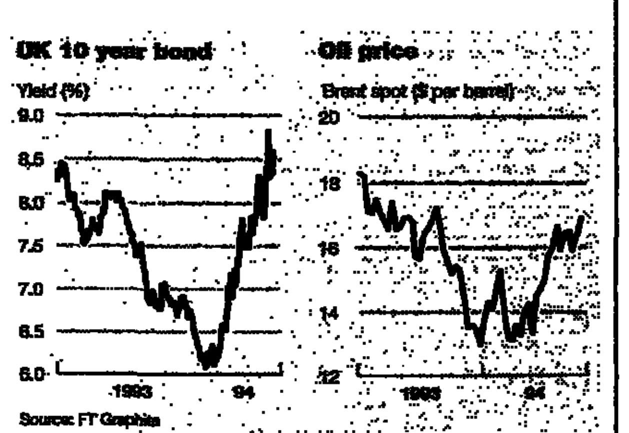
But the more important point is that it is possible to get a guaranteed return in the upper half of the Millennium range with absolutely no risk. A conventional five-year guaranteed income bond, which repays all your original capital, offers up to 8 per cent annual interest or nearly 7 per cent if you insist on monthly income.

So, for an extra two percentage points on your income, you are risking 70 per cent of your capital if you opt for Millennium.

(Millennium: period of good government, great happiness and prosperity – OED. Oh really?).

AT A GLANCE

Finance and the Family index



Long-term investors absent from gilts markets

Gilt prices have been falling since early this year. Yields have been pushed up more than 2 percentage points, indicating an expectation of higher inflation and higher interest rates. The gilt market has been volatile in its reaction to both political and economic news, domestically and internationally, and many long-term investors have been steering clear of the market until it calms down, leaving the field clear for short-term speculators.

■ Gilts fall on hard times, Page V.

Oil prices rise sharply

Oil prices have risen sharply since the February low of just under $13 a barrel. The benchmark Brent blend rose above $17 a barrel at one point this week for the first time since the end of September last year.

The most recent rise is caused by a number of factors including concern over tensions with North Korea while Wednesday's decision by the Organisation of Petroleum Exporting Countries to cancel its September meeting was taken as confirmation that Opec will stick to its present production ceiling of 24.52m barrels aday until the end of the year. Worries over fighting in Yemen and a raised forecast of world oil demand from the International Energy Agency have also helped the bullish sentiment.

Fund managers offer swop

Holders of units in the City of London emerging markets unit trust are about to be invited to swop their units for shares and warrants in a new investment trust being set up by City of London fund managers. The investment trust will, like the unit trust, invest in closed-end single country funds for emerging markets, rather than directly in companies.

City of London expects about two-thirds of unit holders to take up the offer, after which new investors are likely to be invited to subscribe for more shares. The unit and investment trusts will be run in parallel, and there may be arrangements for easy switching between the two funds.

Smaller company shares drift

Smaller company share prices continued to drift generally downwards this week. The Hoare Govett Smaller Companies Index (capital gains version) fell 0.7 per cent to 1671.57 over the week to June 16.

Next week's Finance and the Family

We start a new series profiling some of the City's leading private client fund managers. How much money do you need before they will run an investment portfolio for you, and how will they manage it?

Wall Street

A sporting chance that failed to score

One of Wall Street's best-loved, if more obscure, market theories – the Ranger Rally – was put to the test this week.

The theory holds that every time the New York Rangers ice hockey team wins the Stanley Cup (North America's championship trophy), the stock market stages a rally on the following day.

Of course, to say "every time" is a little misleading because, before this week, the Rangers had won the cup only three times and their last victory was way back in 1940. On Tuesday night, however, a 54-year-old curse was lifted when New York defeated Vancouver 3-2 in the last game of the finals.

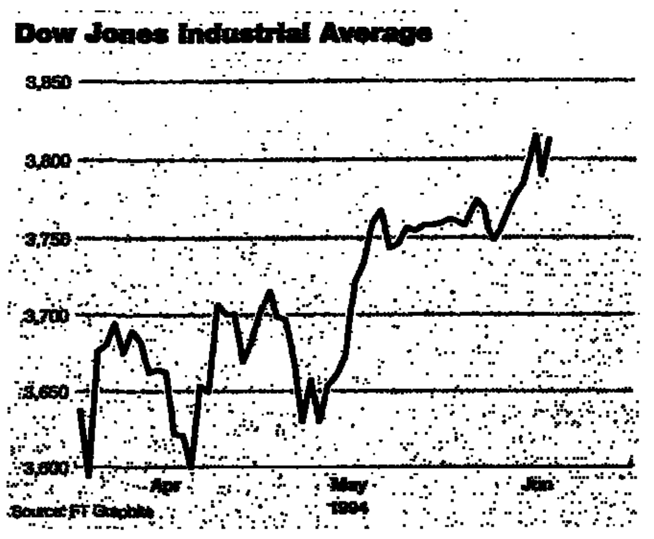
Pandemonium broke out throughout the city, and hordes of hungover but happy Wall Street brokers and traders trotted into work next morning looking forward to the first Ranger Rally in more than half a century.

Alas, it never materialised because investors – or those outside New York, at least – seemed unimpressed by the Rangers' splendid achievement. After posting a quick eight-point gain at the opening bell, the Dow Jones Industrial Average reversed course. By the end of the day, it was down more than 24 points and back below the 3,800 level.

The reason the Rangers' charm failed to work its magic is the same reason the Dow has struggled to make much headway in recent months: inflation – or, to be more precise, the bond market's fear of inflation. Wednesday's declines were prompted by heavy selling of bonds by fixed-income investors unnerved suddenly by a sharp rise in commodity prices.

Although the jump in the Commodity Research Bureau's index (from 3.31 to 238.61) on Wednesday was caused by political, not economic factors – in this case, rising tension on the Korean peninsula – it was enough to overshadow the morning's good news on inflation, an easing in the capacity utilisation component of the May industrial production figures.

The reaction of bond prices to these two sets of data shows just how nervous the US Treasury market remains about inflation in spite of the Federal Reserve's round of four monetary policy tightenings. These were designed to nip inflationary pressures in the bud and reassure fixed-income investors that the value of their assets would not be undermined by rising prices.



Capacity utilisation – the extent to which the capital stock of the country is being employed in producing goods – is a key inflation indicator. It has been watched closely all year by investors worried that demand in the rapidly growing economy will, eventually, outstrip companies' ability to boost production to meet that demand. As any student of economics knows, when demand increases relative to supply, prices rise.

So, Wednesday's news that capacity utilisation had eased in May should have delighted the bond market, especially as it came a day after the May consumer prices index was released showing an unthreatening 0.2 per cent increase. Yet, jittery bond investors chose instead to focus on the CRB index, which rose sharply because gold and oil prices had firmed amid fears of a war between North and South Korea.

The fact that the rise in the CRB was likely only to be temporary – and proved as much on Thursday and Friday when a meeting between former President Jimmy Carter and North Korean leaders in Pyongyang raised hopes of a diplomatic solution – did not dissuade the bond market from retreating at the first sign of higher commodity prices. This has been the pattern all year: the bond market has over-reacted to all the bad news about inflation while paying little attention to most of the good news.

The stock market, meanwhile, also has continued to do what it has done for most of the year – follow blindly in the bond market's footsteps. Thus, the Dow, which rose 32 points on Tuesday because of higher bond prices, fell 24 points on Wednesday because of lower bond prices, then rose 21 points the next day because of higher bond prices.

This will have to stop at some stage but, for now, the Dow seems handcuffed to the 30-year bond. Investors face a long, trying summer of modest rallies interspersed with equally modest declines, and a Dow likely to be stuck in a range somewhere between 3,750 and 3,850.

As for the defunct Ranger Rally, sport-lovers will have to look elsewhere for a new market theory. Basketball, perhaps? The New York Knickerbockers are now playing the league championship finals, tied at two games apiece, against the Houston Rockets. I wonder what the Dow did the day after the Knicks last won the national title, back in 1973?

Patrick Harverson

Monday	3783.12 +	09.67
Tuesday	3814.83 +	31.71
Wednesday	3790.41 –	24.42
Thursday	3811.34 +	20.93
Friday		

The Bottom Line

Now it's a nightmare for Sid

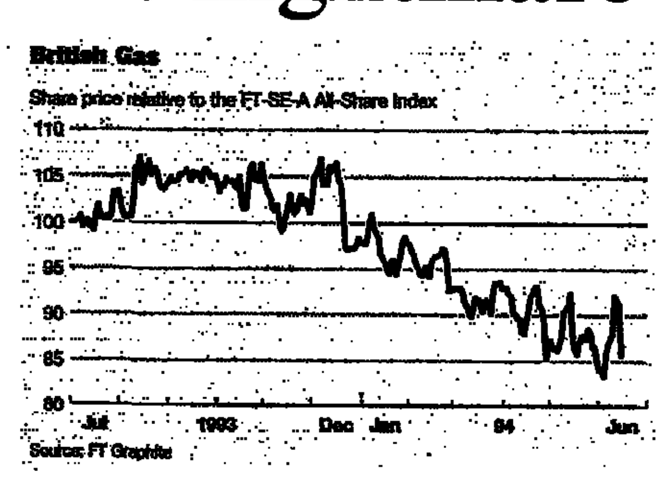
When Sid, the advertising character created to promote the privatisation of British Gas, bought those shares in BG back in 1986, he was hoping for a profit, not a regulatory nightmare. But a nightmare is what he got. Ever since the government called in the Monopolies and Mergers Commission nearly two years ago, the prospects for Gas have been bedevilled by uncertainty.

Michael Heseltine, the president of the board of trade, settled things down somewhat in December when he accepted the MMC's recommendation to liberalise the gas market. But Sid still had to contend with Clare Spottiswoode, the gas industry regulator – and the news from her this week was not good.

Under the liberalisation plan, British Gas is supposed to hive off its network of pipelines and storage into a separate unit. This unit will still be owned by BG, but it will sell its services at arm's length both to BG and the independent gas suppliers who want to get into the market. On Wednesday, Spottiswoode produced a formula governing the prices that the new unit will be able to charge for transporting gas around the country.

She set it at 14.16p a therm, starting on October 1. After that, the price can go up by the rate of inflation minus five percentage points a year. This arrangement will continue until March 1997, when the liberalisation of gas will be complete and a longer-term pricing formula can be devised.

Spottiswoode's formula was a lot tighter than BG had been hoping for, and chief executive Cedric Brown wasted no time in going on the attack. It was "extremely tough", he said, and would probably prevent BG from raising its dividend this year. But although Brown might have been disappointed by the formula, he cannot have been surprised.



The MMC report contained recommendations which Spottiswoode had *indicated* she would follow, and the market was prepared: when the news hit the screens, the shares fell only 2p. It was only when Brown made his remarks about the dividend a few minutes later that the shares fell another 15p. Was this just *bluster or a genuine cry of pain?*

It is true, as Brown says, that BG is under a lot of regulatory pressure at the moment: it must yield to competitors the larger part of the market for big gas users, something which is eating into profits. It also has an aggressive cost-cutting plan to shed as many as 25,000 jobs, so there are not many more savings to be had from that quarter. Then, starting in 1996, competitors will be allowed to enter the domestic gas market in stages until a fully competitive market is reached in 1998.

There is always a possibility that these pressures could force BG to overstep Brown's warning and actually cut its dividend. But analysts doubt very much that that will happen.

Nick Antill, at Hoare Govett, says the worst for which shareholders should brace themselves is an unchanged dividend over the period of the market restructuring. "Neither balance sheet or cash flow considerations justify worrying about a cut," he writes in a research note.

The analysts at NatWest Securities take a similar view. They think BG can maintain its dividend over the transitional period provided it gets good profits from its unregulated exploration and production businesses, although the dividend cover will fall.

At Kleinwort Benson, Paul Spedding also sees no dividend increase for the time being, at least in real terms, and he sympathises with Sid's predicament. "He must be heartily fed up with all the bad news," Spedding says, "and now he doesn't know what his dividend is going to be next year."

As Spedding points out, BG shares are yielding 6.7 per cent, which is more than you get in a building society account. But the lower-yielding water and electricity sectors offer much better dividend growth prospects, and many BG investors may prefer to switch to escape the nightmare once and for all.

David Lascelles

FINANCE AND THE FAMILY

Your lapses are their profits . . .

If you're baffled by life policy surrender values, so was the Office of Fair Trading. Norma Cohen reports

One of the continuing great mysteries for Mr and Ms Policyholder has been how to calculate how much cash will be returned if an insurance policy is cashed in early.

While there are no official figures on how many policies might fall into this category, data prepared for securities' regulators two years ago suggest that one-quarter to one-third of all policies are cashed in during the first two years alone. The Office of Fair Trading says its own information suggests that the policies most likely to lapse before maturity are unit-linked and sold by direct sales forces, while those least likely are with-profits policies sold through independent financial advisers.

This week, the OFT released results of a study aimed at taking some of the mystery out of early surrenders. Aided by an actuarial consultant, Alexander Clay and Partners, it looked at how 60 of the UK's largest life insurers treat their customers.

It found that a number of companies actually profit from early lapse rates – and that many people holding policies with companies that have relatively high lapse rates are actually worse off than if they had no policy at all.

The OFT concluded: "On the basis of assumptions about lapse rates and projections of surrender and maturity values, the policyholders of some companies appear to receive average rates of return which are no more than marginally positive, or even negative."

The OFT noted that the reason for there being mystery about surrender values was because life insurers had never been required to disclose them. From January, new rules – urged by the OFT – will help to remedy that.

The data compiled by the OFT shows huge differences in surrender values:

■ On a 10-year with-profits policy paying £50 a month, Equitable Life will return 98 per cent of actual premiums if surrender takes place in the first year, and 113 per cent – if policy is surrendered in year five. If you add in notional investment income to the premiums, as we have done in the tables, the figures are still a respectable 94 per cent.

■ On exactly the same type of policy, Royal Life pays nothing if surrender occurs in the first year and only 75 per cent of premiums for a policy surrendered in year five.

■ For a 25-year, unit-linked policy paying £50 a month, TSB Life returns 43 per cent of all premiums paid if surrendered in year one, and 93 per cent if surrender occurs in the fifth.

■ Allied Dunbar returns zero per cent of premiums if surrendered in years one or two, and only 50 per cent if surrender occurs in year five. The OFT study also attempts to explode one of the great myths of life industry advertising. This has placed great emphasis on the final maturity values of long-term policies. Financial publications also tend to give these figures.

Moreover, some companies pay very low surrender values in early years but deliberately tilt their policies to give the greatest bonus in the final year, effectively propelling them to the top of the league tables.

The OFT argues, however, that because the vast majority of clients are unlikely to hold their policies to maturity, it would be more helpful to look at each company's weighted average rate of return (WARR). And policyholders whose company is at the top of the final maturity value league table may find that the WARR is actually less attractive than that of competing providers.

The OFT prepared tables showing how this works. It identifies two companies, Company H and Company L (each of which is a composite of three) and demonstrates how they treat customers with a 10-year policy.

By adding a five per cent maturity bonus, Company L comes top of the league table with a final value of £7,690. But for policies surrendered in year one, Company L pays nothing while Company H offers a refund of £343.

In year two, Company L pays £532 while Company H pays nearly twice that, at £957. In fact, in nine of the 10 years of the policy, Company H is the better bet, a fact which never shows up in the league tables at all.

Moreover, the OFT said, the idea that unit-linked policyholders could understand readily the surrender values of their policies simply by reading the product literature was quite false.

John Mills, head of the OFT's consumer policy division, added: "These things are not only obscure to the average consumer but to the informed consumer as well."

The OFT, in attempting to compare the charges on unit-linked policies, found that companies used so many different mechanisms that it was almost impossible to judge one against the other.

It discovered that nine of 42 used a "reduced allocation" in early years, while eight had a device called "capital units" upon which management fees of three to four per cent were levied.

One company reduced investment returns for early leavers, one set penalties on premiums outstanding, and six had cut both allocations of units and investment returns.

■ *All tables based on OFT statistics. Total premiums of £3,625 include £625 of accumulated interest.*

10 YEAR WITH-PROFITS

Top 5 — Surrender values after 5 years, Total premiums paid: £3,625	£
Eagle Star	3,315
Standard Life	3,276
Scottish Amicable	3,030
Norwich Union	3,011
CIS	3,003
Bottom 5	
NPI	2,244
Royal Life	2,251
London Life	2,297
Pearl	2,409
Legal & General	2,444

10 YEAR UNIT-LINKED

Top 5 — Surrender values after 5 years, Total premiums paid: £3,625	£
Equitable Life	3,364
Eagle Star	3,189
Scottish Life	3,184
Barclays Life	3,127
Scottish Amicable	3,120
Bottom 5	
Axa Equity & Law	2,317
Guardian	2,531
Reliance Mutual	2,580
Irish Life	2,639
London & Manchester	2,695

10 YEAR UNITISED W-P

Top 5 — Surrender values after 5 years, Total premiums paid: £3,625	£
Equitable	3,390
Abbey National	3,045
GA Life	3,005
Norwich Union	3,000
Standard Life	2,998
Bottom 5	
Axa Equity & Law	2,317
Guardian	2,531
London & Manchester	2,695
Clerical Medical	2,740
Sun Life	2,769

25 YEAR WITH-PROFITS

Top 5 — Surrender values after 5 years, Total premiums paid: £3,625	£
Clerical Medical	2,720
CIS	2,629
Scottish Mutual	2,516
GA Life	2,488
Provident Mutual	2,365
Bottom 5	
Pearl	1,248
NPI	1,497
Royal Life	1,503
Colonial Mutual	1,739
Legal & General	1,701

25 YEAR UNIT- LINKED

Top 5 — Surrender values after 5 years, Total premiums paid: £3,625	£
Scottish Mutual	2,534
Barclays Life	2,480
Norwich Union	2,422
Abbey National	2,403
Midland Life	2,398
Bottom 5	
Allied Dunbar	1,500
Irish Life	1,580
MGM	1,660
Laurentian Life	1,700
Abbey Life	1,730

25 YEAR UNITISED W-P

Top 5 — Surrender values after 5 years, Total premiums paid: £3,625	£
Equitable Life	3,244
Standard Life	2,487
Friends Provident	2,470
Norwich Union	2,422
Abbey National	2,403
Bottom 5	
MGM	1,660
Guardian	1,839
Axa Equity & Law	1,920
Clerical Medical	1,970
London & Manchester	2,057

10 year unit-linked plans: £50 a month

Life office	End of year	Accum'd premiums £	Effect of charges £	Surrender penalty £	Surrender value £
Average results					
	1	624	222	198	204
	2	1,295	308	184	803
	3	2,016	396	151	1,469
	4	2,792	498	132	2,162
	5	3,625	610	106	2,909
Maximum surrender values					
Equitable Life	1	624	35	1	588
Equitable Life	2	1,295	79	0	1,216
Equitable Life	3	2,016	128	2	1,886
Equitable Life	4	2,792	188	3	2,601
Equitable Life	5	3,625	255	6	3,364
Minimum surrender values					
(Several offices)	1	624	300	324	0
Confederation Life	2	1,295	439	856	0
Axa Equity & Law	3	2,016	715	353	948
Axa Equity & Law	4	2,792	1,001	184	1,607
Axa Equity & Law	5	3,625	1,312	-4	2,317

FINANCE AND THE FAMILY

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Claremont Gmnts	Text	5,000	17	1
Cornwell Parker "A"	HGod	45,000	71	1
Courtaulds	Chem	20,000	102	1
GR Holdings	L&H	454,500	291	3
Macfarlane Group	PP&P	7,400	17	1
Mayflower Corp	EngV	216,792	124	1*
Morland & Co.	Brew	7,000	35	2
Quicks Group	Dist	50,000	95	1
Reuters	Mdia	10,000	49	1*
Rolfe & Nolan Comp	SSer	35,000	116	1
Sainsbury, J	RetF	4,000	15	1
Storehouse	RetG	153,030	331	1*
Ulster TV	Mdia	2,153	13	1
Unilever	FdMa	28,370	284	1*
Whatman	Eng	12,500	63	1*
PURCHASES				
Ashley Group	BM&M	700,000	49	3
Ashley Group (CRCP)	BM&M	75,000	35	1
Barr & Wallace Ar'd	L&H	2,000	11	1
Beckenham Group	Eng	100,000	19	1
Boots	RetG	2,000	11	1
Corporate Services	SSer	23,020	12	5
Dewhirst Group	Text	189,960	232	3
Electrocomponents	Dist	5,000	24	1
Halkin Holdings	Brew	100,000	82	2
Horace Small Appri	Text	30,000	23	1
HTV Group	Mdia	20,000	27	1
Hughes (T.J.)	RetG	20,000	15	1
Kingfisher	RetG	7,143	37	1
Kynoch Group	Hlth	200,000	48	1
Life Sciences Intl	Hlth	1,351,250	1,581	7
L'don Insu Market	Insu	12,000	11	1
Morland & Co	Brew	2,000	10	1
RTZ	Extn	7,850	65	2
Sheffield Insultns	BM&M	20,000	47	1
Unigroup	BM&M	39,000	15	1
Wills Corroon	Insu	10,000	16	2

Value expressed in £000s. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange June 6-10 1994.
Source: Directus Ltd, The Inside Track, Edinburgh

Directors' transactions

Every year as summer begins, the number of deals by directors tails off. Thus, it is unusual to note a steady number buying at present.

☐ Seven members of the board at Life Sciences International, a maker of scientific and hospital equipment, took the opportunity offered by a dip in the share price to buy stock at 117p. The largest single purchase was by Sir Christopher Bland, previously the chairman of London Weekend Television, who bought 1m to more than double his holding.

☐ Halkin Holdings used to be known as Hoskins Breweries. Over the past year it has had a complete change of management, and its share price has begun to perform better. Directors bought last summer at 55p and have been back in the market again. Chairman Howard Hodgson and Bruce McGuire acquired 50,000 each at around 82p.

☐ Dewhirst Group, a clothing and toiletries company, featured in this column when vice-chairman James Dewhirst bought stock in May. The share price has moved very little since then and another two directors have taken the opportunity to get into the market. Chairman Timothy Dewhirst and Robin Horsell, an executive director, bought 120,000 and 19,960 respectively at 123p. Timothy Dewhirst now holds more than 4.9m while Horsell's holding is more than 850,000.

☐ Quicks Group, a motor distributor, has enjoyed steady price increases over the past two years. In the summer of 1992 Alexander Murray, the chief executive, and managing director, and Frederick Royle bought stock around 110p. Timothy Franey, a non-executive director, has taken the opportunity to sell some stock – initially at 185p last September and latterly at 190p. He remains the single largest shareholder on the board with 4.6 per cent of the stock.

Vivien MacDonald,
The Inside Track

RESULTS DUE

Company	Sector	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Albrighton	BM&M	Thursday	-	-	0.10
Allen	B&C	Wednesday	1.65	3.35	1.65
Amber Industrial Hldgs	Chem	Wednesday	5.5	13.0	6.0
Azlen Group	E&EE	Friday	-	-	-
BTP	Chem	Wednesday	3.25	6.05	3.45
British Steel	Eng	Monday	-	1.0	0.50
Caledonia Inv	Extn	Thursday	5.0	10.0	5.4
Carpetright	RetG	Wednesday	-	-	2.7
China Inv Tst	InTr	Tuesday	-	-	-
Christie Group	OtFn	Friday	-	-	-
Courts	RetG	Thursday	1.83	3.67	2.0
Craig & Rose	n/a	Monday	12.5	-	-
Crane Europe Ltd	n/a	Friday	-	-	-
Critchley Group	E&EE	Monday	-	4.8	2.6
Dartmoor Inv Tst	InTr	Wednesday	-	-	-
Dunlop Plantations	n/a	Wednesday	-	-	-
ERF Holdings	EngV	Wednesday	-	2.0	-
East Midlands Elec	Elec	Monday	5.72	13.78	6.8
Electric & Gen Inv	InTr	Friday	1.5	1.6	1.55
Essex & Suffolk Water	Wat	Monday	75.35	70.9	75.4
Filofax	OS&B	Monday	0.5	0.75	0.75
Fletcher King	Prop	Monday	0.5	0.5	0.5
GEI Intl	Eng	Thursday	2.47	2.47	-
Hazlewood Foods	FdMa	Tuesday	2.3	4.1	2.4
IWP Intl	HseG	Tuesday	-	-	-
JLI Group	FdMa	Thursday	1.55	3.1	1.6
Kewill Systems	SupS	Wednesday	-	-	-
King & Shaxson	OtFn	Wednesday	4.0	5.0	4.0
MMI	Med	Friday	-	-	-
M & G Second Dual Tst	InTr	Thursday	-	-	-
Manweb	Elec	Tuesday	6.1	14.9	7.0
Norbain	Dist	Thursday	-	1.5	-
Pilot Inv Tst	InTr	Monday	-	-	-
Phoenix Timber	BM&M	Monday	-	-	-
Renold	Eng	Monday	-	1.0	0.7
Rothmans Intl	Tob	Thursday	-	-	-
Shanks & McEwan Grp	OS&B	Wednesday	2.24	2.44	2.24
Sharelink Inv Services	OtFn	Thursday	-	-	3.0
Shaw (Arthur) & Co	BM&M	Friday	-	-	0.60
Smith St. Aubyn	n/a	Wednesday	-	-	-
Southern Electric	Elec	Thursday	5.6	14.0	6.7
Sterling Industries	Eng	Tuesday	1.6	4.1	1.8
Stoddard Sekers Intl	HseG	Friday	0.75	0.75	0.75
Stylione	n/a	Friday	-	-	-
Suffolk Water	Wat	Monday	23.7	23.8	23.3
Templeton Emerg Mkts	InTr	Monday	-	1.7	-
Total Systems	SupS	Tuesday	1.6	1.5	-
Vistec Group	SupS	Friday	0.125	0.25	0.125
Wagon Ind Hldgs	Eng	Wednesday	6.325	11.17	6.325
Wessex Water	Wat	Tuesday	7.3	14.2	8.0
West Trust	FdMa	Wednesday	2.5	0.2	0.2
INTERIM DIVIDENDS					
Ackett Assoc	n/a	Tuesday	-	-	-
Brooke Tool Eng	Eng	Monday	-	-	-
City Site Estates	Prop	Tuesday	-	-	-
Clyde Blowers	Eng	Thursday	4.0	8.0	-
Electra Inv Tst	InTr	Monday	3.45	3.65	-
Electronic Data Process	SupS	Monday	2.0	3.5	-
Eurotherm	E&EE	Tuesday	3.5	6.0	-
Fidelity Japan	InCo	Friday	-	-	-
First Leisure Corp	L&H	Wednesday	2.0	4.53	-
Golden Hope Plant	OS&B	Wednesday	-	-	-
Hardys & Hansons	Brew	Wednesday	3.0	5.5	-
Johnson & Firth Brown	Eng	Monday	.1.0	0.35	-
LPA Inds	E&EE	Tuesday	1.66	0.80	-
London & Clydeside	B&C	Tuesday	1.8	3.0	-
Lovell Hldgs	B&C	Wednesday	-	-	-
Quality Care Homes	HlthC	Tuesday	1.5	3.0	-
Schroder Split Fund	InTr	Friday	-	-	-
Second Consolidated	InTr	Wednesday	-	2.1	-
TSB Group	Bank	Thursday	3.15	4.53	-
Trio Holdings	OtFn	Monday	1.0	1.5	-
Watson & Philip	RetF	Tuesday	4.4	9.9	-
Windsor	Ins	Thursday	-	-	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. ‡‡ 1st quarterly. ♦ 2nd quarterly. ✶ 3rd Quarterly

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated					
Bredero Props.	10*	11	15	3.70	Slough Estates
Chiltern Radio	242*	243	205	16.90	CLT
Davenport Vernon	167	157	113	32.30	Evans Halshaw
Great Southern	600*	617	475	71.11	Service Corp Int
Do. Prf.	239*	238	180	16.29	Service Corp Int
Jessups	127½	126	98	12.39	BSG
LASMO	165	149	162½	1590.0	Enterprise Oil
Linread ‡	219	218	153	26.70	McKechnie
NMC ‡	159§§	153	159	113.00	Britton
Spear (J.W)	900*§	740	740	46.90	Hasbro
Spear (J.W.)	1000*	740	740	52.00	Mattel
Towles	265*	271	243	4.22	London City

[illegible]

The week ahead

Into the black

Since the £149m pre-tax loss last time, British Steel has started the long climb back into the black. On Monday, even the most pessimistic of analysts is expecting a pre-tax profit of £60m for the year to March, and forecasts range as high as £95m. Most believe a maintained final dividend of 1p per share is likely, making a total of 1.5p for the year.

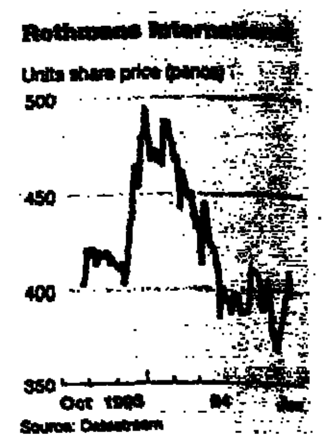
☐ Wessex Water is expected to draw the sector's reporting season to a close on Tuesday with the biggest dividend increase of all the top 10 water companies. Forecasts are for a payout of between 23.5p and 24p, against last year's 21.5p. The main issues, as with its fellow companies, will be cost savings and the performance of the non-regulated waste management business. Wessex is expected to score highly on both counts. Profit is estimated to rise by 20 per cent to about £103m.

☐ East Midlands Electricity has prepared the market already for a disappointing pre-tax profit figure for 1993/94. The total will be depressed by £130m as a result of post-privatisation acquisitions which have performed disappointingly. That will leave pre-tax profit, to be announced on Monday, at around £50m to £60m. The dividend should be unaffected at about 22.7p.

☐ Manweb, which distributes electricity in north Wales and Cheshire, is expected to announce pre-tax profit of about £125m to £130m on Tuesday. The dividend should be about 22.5p.

☐ Hazlewood Foods is expected to announce an annual pre-tax profit of up to £50m on Tuesday, down from the previous year's £55m on turnover of £761.8m. Last year's figure is unlikely to be matched even after taking out exceptional charges related to restructuring and the sale of a Dutch subsidiary.

Rothmans International



Source: Datastream

☐ Wednesday sees the first annual result from specialist chemicals group BTP since it acquired most of ailing MTM in June last year. The MTM businesses have been coming through well and analysts expect pre-tax profit to have jumped from £20.5m to around £29m. The MTM deal was funded by a rights issue, which will hold back growth in underlying earnings per share to about 15 per cent. Forecasts for this year vary widely, so the shares will be sensitive to comments about present trading.

☐ Rothmans International, the tobacco group now shorn of its luxury goods interests, is expected to report a lower annual profit on Thursday due to the £48m costs associated with the demerger of Dunhill. BZW, the broker, is forecasting a pre-tax figure of £440m, down from a pro forma £470m the previous year.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
AAH	HltC	Mar	42,000	(37,500)	34.8	(32.8)	17.9	(17.3)
ACT Group	SupS	Mar	28,460	(20,470)	12.15	(10.63)	5.26	(5.0)
Adare Printing	n/a	Apr‡‡	1,480	(595)	17.3	(11.56)	1.99	(1.80)
Amberley Group	BM&M	Mar	403	(91 L)	1.94	(-)	1.0	(1.0)
Appld Holographics	OS&B	Mar	278,395 L	(2,280 L)	-	(-)	-	(-)
BSS Group	Dist	Mar	9,880	(8,640)	24.0	(18.7)	17.75	(17.25)
Banner Homes	B&C	Mar	1,200	(250)	8.3	(1.9)	1.0	(-)
Bradford Prop Tst	Prop	Apr	30,700	(20,200)	14.25	(9.4)	8.5	(5.4)
Bridgend Group	Dist	Dec	549 L	(3,810 L)	-	(-)	0.2	(0.4)
Bristol Water Hldgs	Wat	Mar	8,010	(8,860)	83.0	(82.0)	33.5	(31.0)
British Thornton	PP&P	Apr	2,110	(1,320)	11.4	(8.8)	6.0	(5.0)
Brockhampton	Wat	Mar	5,580	(4,570)	42.0	(33.8)	10.5	(7.5)
Bulgin AF	E&EE	Jan	507	(212 L)	1.58	(-)	0.25	(-)
Business Tech	E&EE	Apr	4,100 L	(6,300 L)	-	(-)	-	(-)
Carlisle Group	OtFn	Dec	2,880 L	(947 L)	-	(-)	-	(-)
Charter	Dvl	Mar	50,100	(289,200)	38.4	(242.8)	22.5	(22.0)
Chester Water	Wat	Mar	2,030	(2,170)	600.5	(617.7)	255	(225)
Chloride	E&EE	Mar	1,210	(1,580 L)	-	(-)	-	(-)
Cohen A & Co	Eng	Dec	522 L	(215)	-	(-)	-	(8.8)
Cropper James	PP&P	Apr	2,560	(1,250)	3.5	(3.1)	19.0	(9.4)
Cullens Hldgs	RetF	Feb	674 L	(401)	-	(0.8)	-	(0.5)
East Surrey Hldgs	Wat	Mar	8,280	(5,700)	58.4	(38.8)	12.38	(11.48)
Embassy Property	Prop	Mar	852 L	(1,250)	-	(-)	-	(-)
Ensor Hldgs	BM&M	Mar	180 L	(2,960 L)	-	(-)	-	(-)
FKI	Eng	Mar	52,300	(38,000)	8.22	(6.3)	3.7	(3.5)
Grand Central Inv	FdMa	Dec	986 L	(2,780)	-	(3.06)	-	(1.25)
Heath CE	Ins	Mar	11,840	(1,480)	-	(-)	16.0	(16.0)
Hickling Pentecost	T&A	Mar	3,440	(2,850)	15.3	(13.0)	4.6	(4.0)
Jarvis	B&C	Dec	3,150 L	(3,720 L)	-	(-)	-	(-)
Locker (Thomas)	Eng	Mar	3,430 L	(421)	-	(-)	0.4	(1.0)
London Electricity	Elec	Mar	186,500	(145,500)	65.0	(48.5)	22.5	(19.5)
London Merchant Sec.	Prop	Mar	22,300	(27,800)	8.59	(7.0)	4.2	(4.0)
Mansfield Brewery	Brew	Apr	14,400	(12,500)	18.4	(14.0)	4.4	(3.85)
Marshalls	BM&M	Mar	20,400	(12,400)	8.62	(3.93)	4.25	(4.0)
Marston Thompson	Brew	Mar	23,250	(20,070)	19.21	(16.55)	5.98	(5.4)
Moorgate Smaller Comp	InTr	Apr♥	3,120	(2,150)	4.56	(4.41)	4.28	(4.28)
Oceana Cons	OtFn	Mar	3,000)	(837)	25.68	(10.1)	2.5	(1.5)
Oriflame Intl	HseG	Mar	14,000	(11,900)	22.4	(20.4)	13.0	(12.0)
Park Food	RetF	Mar	11,800	(10,030)	5.04	(4.43)	2.4	(2.0)
Pentos	SupS	Mar	309 L	(1,940)	-	(-)	4.0	(10.0)
Porter Chadburn	Dvl	Apr	17,200 L	(3,820 L)	-	(-)	-	(-)
Proteam	Eng	Mar	5,390	(4,080)	12.82	(10.44)	4.75	(3.65)
Quilgotti	BM&M	Mar	2,530 L	(3,300 L)	-	(-)	-	(-)
Regalian	Prop	Mar	2,750	(63,500 L)	2.64	(-)	-	(-)
Rive Group	E&EE	Dec	2,200 L	134	-	(0.2)	-	(-)
River Plate General	InTr	Apr✶	158.2	(168.7)	4.01	(4.44)	3.0	(3.0)
Robert Wiseman Dair.	FdMa	Apr	5,130	(3,190)	7.22	(4.58)	-	(-)
Salisland	Prop	Mar	925	(156)	2.93	(0.49)	1.39	(0.5)
Salvesen (C)	SupS	Mar	74,100	(75,900)	19.2	(19.1)	8.1	(7.8)
Severn Trent	Wat	Mar	281,400	(270,000)	72.7	(69.5)	22.75	(21.1)
Smith New Court	OtFn	Apr	95,200	(38,700)	70.2	(34.3)	10.0	(8.0)
Somic	PP&P	Mar	254	(81)	9.57	(3.86)	2.5	(1.5)
Southern Water	Wat	Mar	127,500	(119,200)	70.3	(66.3)	23.1	(21.3)
Stirling Group	T&A	Mar	798,000 L	(5,100)	-	(3.92)	1.9	(1.85)
Swalec	Elec	Mar	104,000	(87,000)	73.6	(80.0)	25.6	(22.3)
Symonds Eng	Eng	Mar	285 L	(456 L)	-	(-)	0.25	(0.15)
Thames Water	Wat	Mar	241,700	(251,300)	58.86	(59.3)	22.5	(21.0)
Ugland	Tran	Mar	1,230 L	(591 L)	-	(-)	0.74	(-)
UMECO	Eng	Mar	511	(144 L)	3.53	(-)	2.0	(1.75)
Unigate	FdMa	Mar	102,400)	(101,400)	31.4	(31.3)	17.3	(16.1)
Volex	E&EE	Mar	10,300	(7,340)	23.6	(21.7)	18.1	(17.65)
Wellman	Eng	Mar	1,070 L	(681)	-	(1.0)	0.9	(0.5)
Welsh Water	Wat	Mar	144,200	(155,500)	89.2	(104.0)	25.4	(23.5)
Whitecroft	E&EE	Mar	4,300	(41,800 L)	8.8	(-)	2.0	(-)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Allders	RetG	Mar	11,700	(9,900)	2.2	(-)
Alvis	Eng	Mar	2,240	(2,190)	0.5	(0.5)
Attwoods	OS&B	Apr	3,830	(3,010)	-	(-)
Berisford	FdMa	Mar	5,800 L	(400)	-	(-)
Bradstock	Ins	Mar	4,810	(4,570)	1.8	(1.55)
Burndene Invs	Dist	Apr	1,820	(2,290)	0.75	(0.5)
David Lloyd Leisure	L&H	Mar	2,980	(1,940)	1.45	(-)
Denmans Electrical	Dist	Mar	1,440	(1,080)	2.1	(1.9)
Eurocopy	E&EE	Mar	1,840	(1,230)	0.6	(0.5)
Hewitt	Dvl	Mar	824	(783)	0.275	(0.25)
London Scottish Bk	OtFn	Apr	2,700	(2,010)	1.2	(1.03)
NFC	Tran	Mar	49,000	(86,000)	2.9	(-)
Neotronics	Eng	Mar	509	(956)	0.85	(0.65)
Osprey Communication	Med	Mar	357	(173 L)	-	(-)
Prospect Inds	Eng	Mar	489 L	(1,240 L)	0.29	(0.275)
RCO	SupS	Apr	2,280	(2,410)	4.95	(4.95)
Sheriff	B&C	Mar	1,200	(465)	1.75	(1.25)
Simms	n/a	Apr	535	(462)	1.3	(-)
Southern Business	E&EE	Mar	3,100	(7,200)	1.27	(1.27)
Tinsley Robor	PP&P	Mar	450	(15)	-	(-)
Unidare	Dvl	Mar‡‡	4,600 L	(4,710 L)	4.5	(4.4)
Willoughby Cons	Extn	Mar	608	(225)	1.0	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. ✶ Net asset value per share. ‡‡ Irish Punts and pence. ♥ Net revenue. ♦ Comparative figures for 15 months.§§ US Dollars and Cents. ✶ Comparitive figures for 9 months.

RIGHTS ISSUES

Amberley Group is to raise £4.38m via a 1 - 2 rights issue @ 47p.
Quilgotti is to raise £1.5m via a 1 - 3 rights issue @ 15p.
Watan City of London Properties is to raise £32m via a 2-7 rights issue of 44m shares @ 73p.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Central Railway Group is coming to the market via a placing of upto 6m £1 shares.
Exco is coming to the market via a flotation of appx £220m.
Lowe (Robert H) is to raise £3m via a placing and open offer.

FINANCE AND THE FAMILY

In from the cold at last

***Mark Suzman** on the resurgence of the Johannesburg stock market*

Despite South Africa's years of isolation, the Johannesburg stock market is no stranger to foreign investors – *indeed*, the exchange was set up largely at the behest of British financiers involved in the gold industry at the end of the last *century*.

Rather than speculators, however, the market now is trying to attract the new masters of the global *market place:* fund managers and their investors.

Helping the drive is the fact that, in a *sharp turnaround*, South Africa now is regarded as an ethical investment by many of the individuals and *institutions that shunned it for* its racial policies during the apartheid era.

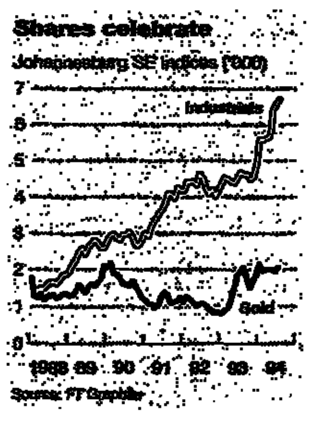
It is not just changing political *considerations, however*, that have led to the increased interest in the market. The JSE has performed very *strongly over the past 18* months, providing attractive returns virtually across the board.

And although price/earnings ratios and yields are near historical highs by local standards, the market remains rel*atively undervalued when* considered in a global context.

The JSE's recent inclusion on several global market indi*ces – most notably the Interna*tional Finance Corporation, which tracks emerging markets – also has boosted confidence. *Many* funds which base their portfolios around such indices are expected to shift their weighting in favour of South Africa over the next few months, with a potential windfall of billions of dollars.

Yet, although classified as an emerging market, the JSE is better regarded as a re-emerging market. It is a mature body with a wide range of stocks; a market capitalisation around $160 billion, putting it just outside of the world's top 10; and a well *developed regulatory* and legal framework.

There are, however, a couple of peculiarities about the mar*ket* of which the prudent investor needs to be aware. Most important, and confusing, is the country's two-tier currency.



Source: FT Graphite

Non-residents invest using the financial rand exchange rate; this operates at a variable discount (now around 25 per cent) to the commercial rand, the country's main trading currency.

Intended originally to deter foreigners from withdrawing their capital during the sanctions and disinvestment era, it *also provides an attractive* incentive for new investment. Because all dividends are paid in commercial rands, foreign*ers stand to augment substan*tially their yield on local shares.

Nonetheless, the currency is *quite volatile, especially dur*ing times of political uncertainty, and investors could just as easily see their capital gains negated from currency depreciation, even while yields soar.

Another problem with the JSE is its low liquidity; annual turnover last year amounted to only 7 per cent of market capitalisation, far below global norms. This is, largely, the result of two factors: the existence of large conglomerates unwilling to trade their shareholdings; and exchange control restrictions which make it illegal for domestic investors to send funds abroad, so encouraging them to retain local blue chips.

This can be irritating for foreigners who, sometimes, find *their stocks have low tradeabil*ity. But the exchange authorities recently have made a number of proposals to try to *improve the situation. And* with further pressure coming from both inside and outside the country, it is likely things *will* continue to improve.

Even with these problems, though, the JSE remains a relatively good bet. Just as a cen*tury ago, the* most popular investments among foreigners are gold stocks, which tend to be relatively undervalued compared with their American and Australian counterparts and remain a good hedge against inflation.

But several industrial shares, particularly those in building and construction, have been performing very strongly recently because of the expected rise in spending on housing under the new government's reconstruction and development programme.

South Africans come to town

British investors will soon have access to their first South African investment trust. The Old Mutual South Africa trust, run by the republic's largest life and fund management group, will invest in a wide range of local concerns, although with a bias towards industrial and financial stocks and smaller and medium sized companies.

This is because some of the largest, best-known South African companies also have shares traded on the London market, making them easily accessible already to UK investors. But when it comes to smaller companies, Old Mutual thinks its team of 42 analysts can provide value for overseas investors with its stock-picking approach to investment management.

Small and medium sized companies may also have more to gain from the restructuring of South Africa's economy as it reintegrates with the rest of the region and the world.

Old Mutual says the fund is extremely unlikely to hold gold stocks in the foreseeable future. So, if you are looking for a play on commodities, you would do better to pick one of the specialist gold or mining funds.

Institutions are expected to be the main investors in this new fund, but the minimum investment (£1,000) has been set low enough for smaller investors to get involved, too. The trust is not expected to provide a particularly high yield, though – the Johannesburg stock exchange now returns about 2 per cent.

Meanwhile, anyone prefer*ring a unit to an investment* trust will not have long to wait. Save & Prosper plans to launch a South African unit trust at the *start of July*.

Bethan Hutton

■ *Offer details, page VII*

Gilts fall on hard times

***Graham Bowley** on why investors may well remain wary of bonds*

Are there any reasons to be cheerful about the UK government bond market? After all, it keeps on falling, despite the occasional respite, and probably has still further to fall.

The answer depends on *whether inflation and interest* rates remain low. Even then, the battered investor might take a lot of persuasion to *return to gilts*.

The yield on long-term gilts has risen by more than 2 percentage points since the beginning of the year, to 8½ per cent, and their price has crashed by more than 20 per cent. Why? "It was just an unfortunate combination of events. There's no single explanation," says Ian Shepherdson, an economist at Midland Global Markets.

"The initial sell-off began when the hedge funds ended their feeding frenzy after pushing bond prices up to unsustainable heights and decided to take their profits and move on." Hedge funds are large pools of speculative capital which are switched between financial markets to exploit short-term opportunities.

Then came a succession of events, beginning with the move on February 4 by the Federal Reserve, the US central bank, to put up short-term interest rates.

"This signalled the end of the low interest rate era. Funds flowing out of US suddenly changed direction," says one City analyst. "Investors, afraid that the dollar would soon rise, quickly dropped bonds denominated in European currencies."

The markets were particularly unnerved by the fact that the interest rate rise came when most inflation indicators were pointing downwards. "That suggested that the authorities knew something the markets did not," says Shepherdson.

The UK base rate cut on February 8 was taken very badly by the gilt market. "Maybe it was justified on fundamental grounds," the analyst says. "There had been some decent activity numbers.

"The problem was the timing and the subsequent revelation that Eddie George [governor of the Bank of England] didn't want it. It was seen as blatant political manoeuvreing."

Next came anxiety over rising earnings figures, which were seen as a precursor to rising inflation. Finally, there was the Conservative party's protracted political woes, which added to uncertainty and scared off many investors.

Many believe this succession of "unfortunate" events has changed the fundamental nature of the gilt market. City analysts say investor confidence has been damaged in a way they have never seen before. What, then, will it take to restore confidence in gilts?

One answer comes from Simon Briscoe, an economist at S.G. Warburg: "There has to be continued low inflation and low average earnings numbers, more subdued consumer activity, and a slowdown in the housing market."

Data published last week showing a drop in earnings, subdued growth in the retail price index and a marked fall in construction orders, was duly welcomed by gilts.

"If this continues, then there is no doubt that current yields are extremely attractive," says Briscoe. He is confident that inflation and interest rates will remain low for the remainder of the year, although he thinks the outlook for gilts is less favourable beyond that.

Kenneth Clarke... pledge

Another necessary condition for a recovery in gilts is a slowdown in the US economy in order to retard the rise in official US interest rates and dampen any propensity the dollar might have to rise.

Investors also have to be convinced that all the speculative positions have finally been unwound. "That will probably happen when speculators come to show their half-year results at the end of June," says Stephen Lewis, of London Bond Broking. "Investors also have to build up large amounts of cash before they are ready to invest – and that will take a month or two yet."

Analysts agree the UK's political uncertainty must end. Recent talk of tax cuts to boost the standing of prime minister John Major "would be the last thing the gilt market wants," another analyst says. "It would not smack of sound political management."

There are signs of optimism among some investors, though. *Barry Woolf, investment direc*tor at Mercury Fund Management, says: "We have been gently adding to gilts at this *level. All bond markets* are going to remain highly volatile but, provided we are right on the fundamentals, there's money to be made in gilts."

The problem is that even if all these conditions are met, the large institutional investors with the funds to change market sentiment may still be wary of committing themselves after having their fingers burnt so badly.

In his Mansion House speech in the City this week, Kenneth Clarke, the chancellor of the exchequer, pledged that the government would not create a new boom and bust cycle generating a "fraudulent, inflationary, feel good" factor among voters. "We will cut taxes again," he said, "but only when we can afford to do so."

The impact of Clarke's words was softened, however, when George warned that interest rates would have to move upwards at some time in the future "to maintain the [economic] expansion at a sustainable pace". This might hardly have been news, but it would not have encouraged the gilt market.

There are reasons to be cheerful, and the chancellor will continue to do his best to keep investors' spirits up. But with the market in its present nervous state, needing several pieces of good news to offset every single bit of bad news, it will take a lot of good news to convince investors to take their first tentative steps back into gilts.

FINANCE AND THE FAMILY

Winners? They just lost less

UK EQUITY GROWTH

Winners	% change, 1/2/94 - 1/6/94
Premium Life Growth	-8.7
Family Trust	-9.7
Fidelity Recovery	-9.8
Evermore Recovery	-10.3
Arkwright Recovery	-10.4
MGM Special Sitns Gth	-10.7
Pembroke	-10.8
Aberdeen Portfolio	-10.8
M&G Capital	-11.4
Framlington Capital	-11.5
Losers	
PC GAM Intl Rcvy	-22.5
Govett Brit Gth	-22.0
James Capel Cap	-21.2
Gartmore Brit Gth	-20.7
Thornton UK Bl Chip	-20.6
Midland British	-20.4
PG Tech Analysis	-20.4
MAMPI Gth	-20.3
Barclays Uni Gth Acc	-20.3
Exeter Cap Gth	-20.3

UK EQUITY GENERAL

Winners	% change, 1/2/94 - 1/6/94
Fidelity UK Reverse Indx	13.4
Govett MIS UK Bear	12.9
Mercury WT UK Bear	12.8
GAM UK Diversified	-7.0
Fleming Balanced	-9.9
M&G Midland & Gen	-10.5
Fleming Capital	-12.6
Pilgrim UK Inc & Gth	-13.0
Pembroke Balanced	-13.3
M&G Second General	-13.8
Losers	
Govett MIS Grd UK Indx	-36.0
Gartmore Shaw Utilities	-24.1
Swiss Life Equity	-21.3
Five Arrows Mjr UK Cos	-21.3
Framlington Inc & Gth	-20.9
Hill Samuel Inc & Gth	-20.6
Legal & Gen UK Tact Al	-20.6
Abbey General	-20.5
Mayflower British Ldrs	-20.3
Edinburgh Gth & Inc	-20.3

UK EQUITY INCOME

Winners	% change, 1/2/94 - 1/6/94
Glenfriars Highr Inc	-9.2
Chartrd Asset UK Inc	-11.9
Exeter High Inc	-12.0
St Vincent HI Inc	-12.5
Prem Lf Mnthly Inc	-12.8
Maldon Genrl	-12.9
M&G Equity Inc	-13.2
L&C Income	-13.3
Friends Prov Stwrdshp Inc	-13.6
CH Monthly Inc	-13.7
Losers	
Five Arrows UK Eq Inc	-23.8
Allied Dunbar Hi Yld	-22.1
Kleinwort B Hi Yld	-22.0
Edinburgh Eq Inc	-22.0
NM Income	-21.7
Mayflower Inc	-21.7
ManuLife Hi Inc	-21.7
Standard Lf UK Eq Hi Inc	-21.5
Allied Dunbar Hi Inc	-21.4
Perpetual Inc	-21.4

UK BALANCED

Winners	% change, 1/2/94 - 1/6/94
Fidelity CR UK	-8.6
HC SL Securities	-9.0
Hypo F&C Hi Inc	-11.4
Newton Distributor	-12.0
GRE Balanced	-13.4
Morgan Grenfell Hi Inc	-14.5
CU PPT Mnthly Inc Plus	-14.6
BG Managed Fund	-14.9
BWD Bal Portfolio	-15.0
Sun Life Mgd Ex Inc	-15.8
Losers	
Kleinwort B Ex Inc	-28.5
Cf Med Retirement Inc	-21.9
Pru High Inc	-21.1
TSB High Inc	-20.9
NM Extra Inc	-20.8
Edinburgh Hi Dist	-20.5
Sun Life Mgd In & Gth	-20.2
CU PPT Hi Yld	-20.1
Gartmore Hi Inc	-20.1
HFI Extra Inc	-20.0

UK SMALLER COS

Winners	% change, 1/2/94 - 1/6/94
Guinness Fl TB Emerg Cos	-4.3
Guinness Fl TB Small Cos	-4.6
Evermore Smllr Cos	-5.8
Waverley Penny Share	-6.3
Granville Small Cos	-6.3
Lloyds Bk Smllr Cos & Rcvry	-6.6
Hill Sam UK Emerg Cos	-6.7
M&G Smllr Cos	-6.7
Discretionary Unit	-7.0
Gartmore UK Smllr Cos	-7.8
Losers	
Mercury UK Smllr Cos	-14.9
Sun Life UK Smllr Cos Ptfl	-14.5
Thrnton UK Smllr Cos Div	-14.4
Al Dunbar Sec Smllr Cos	-14.1
Kleinwort B Smllr Cos Div	-13.9
Allied Dunbar Smllr Cos	-13.7
Abbey UK Growth	-13.7
Baring UK Smllr Cos	-13.6
GT Smllr Cos Div	-13.6
Family Smllr Cos	-13.6

UK GILT & FIXED INT

Winners	% change, 1/2/94 - 1/6/94
Mercury WT UK Gilt Bear	11.1
Govett MIS Gilt Bear	10.0
Abbey Capital Reserve	1.0
Burrage Shrt Dated Gilt	-6.5
Whittingdale Shrt D Gilt	-8.6
Britannia Lf Gilt & FI	-9.2
Invesco Pref Shares	-9.8
Aberdeen Gilt Inc	-10.0
Exeter Zero Pref	-10.9
Gartmore Pref	-11.4
Losers	
Schroder Gilt & FI	-20.1
N&P Gilt & FI	-19.0
Whittingdale Gilt Gth	-18.9
BG Bond	-18.7
Prosperity Gilt & FI	-18.5
Legal & Gen Gilt	-18.5
Edinburgh Pref Share	-18.5
Legal & Gen FI	-18.2
Norwich Gilt & Conv	-18.2
ManuLife Gilt & FI	-18.1

***Scheherazade Daneshkhu** looks at unit trust performance this year*

To speak of unit trust "winners" since the UK market peak in February is to talk in entirely relative terms. The *so-called winners have simply* lost investors less money than other unit trusts.

Since the Federal Reserve, the US central bank, raised *short-term interest rates on* February 4, the only sectors (see table at right) to have been profitable, on average, have been Japan and money *markets.*

The Japanese market has turned since a period of decline, but analysts differ about how quickly it may recover. The markets of the Far East generally have been in decline since February, so Japan's performance helped to pull up the Far East (including Japan) sector compared with Far East (excluding Japan).

Europe has been less of a disappointment than other parts of the world, with smaller companies delivering the stronger performance and a gradual fall in interest rates.

The Fed's move was designed to pre-empt a rise in inflation, fuelled by the potential of a stronger than expected recovery, but it upset nervous US and UK markets. The Dow Jones index fell by 5 per cent between February 1 and June 1, recovering from a drop of almost 10 per cent at the beginning of April.

The FT-SE-A All-Share fell by just under 15 per cent over the same period, after an extended period of strong performance. The bottom of the unit trust performance table is inhabited by UK funds, with the notable exception of UK smaller companies.

The tables on the left list the performance of the top and bottom funds in each UK sector over the period.

A cursory glance at the *funds which are not preceded* by a negative sign (UK Equity General and Gilt and Fixed Interest) shows some good gains, of up to 13.4 per cent. *But a closer look reveals that* all but one of these are reverse index or "bear" funds, which use derivatives to deliver the opposite of an index.

In the UK Equity Growth sector, a noticeable number of the better-performing funds are recovery trusts. These stocks usually do well when an economy is coming out of recession but are not usually associated with good performance in falling markets. But Mary Blair, Fidelity's product development director, believes the UK market has over-reacted in the degree to which it has dropped, and that recovery is still the dominant theme.

"The markets have gone down because of fears that interest rates will go up but, ironically, that fear is because it looks as if the economic recovery is happening," she says. "Small companies and recovery stocks are productive companies which benefit in a consumer recovery."

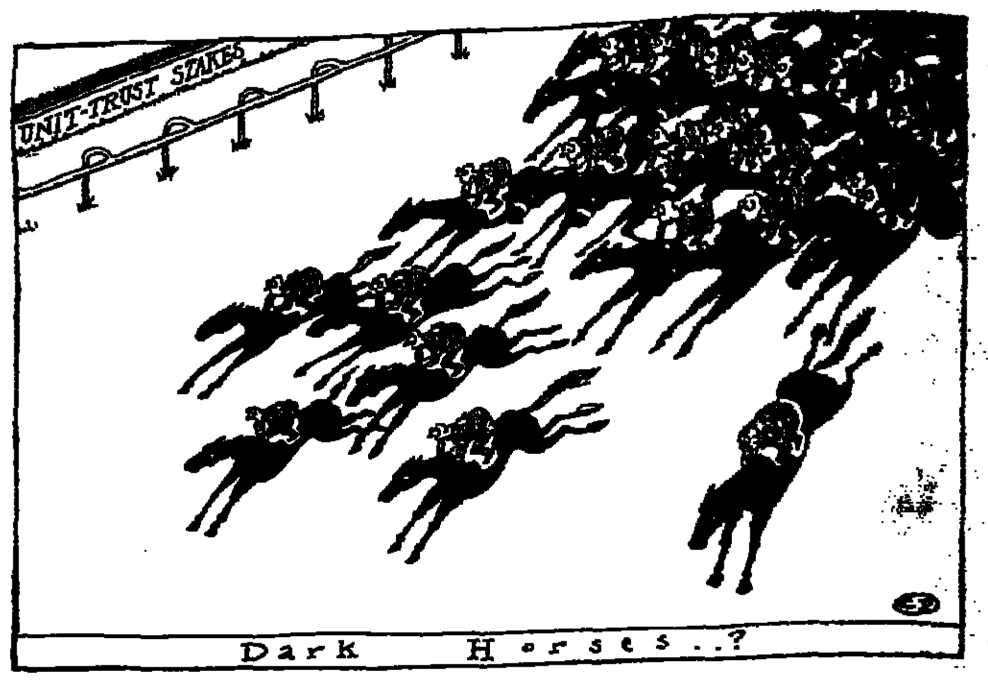
Some of the over-reaction could be due to the use of trading in derivatives. Since there are no futures contracts in smaller companies, the UK Smaller Companies sector has been insulated from the type of volatility associated with these instruments.

George Luckraft, director at Carrington Pembroke (which changed its name recently from John Carrington & Co.), believes that just as futures have helped to magnify falls in the UK market, they were also the driving force behind the strength of the market towards the end of last year.

Two of the company's funds – Pembroke and Pembroke Balanced – appear among the winners in the UK Equity Growth and UK Equity General sectors. Luckraft says they have not done as badly as others as some of the smaller stocks in them have delivered good performance and also because some stocks were shifted into oils in the past few months. Integrated oil has been the best-performing UK sector since the market peak.

Given the recent turbulence in the bond markets, it is no surprise to find that the international fixed-interest, UK gilt and fixed interest, and sectors exposed to holdings of bonds – such as the UK Balanced sector – are all down. Bond prices had begun to drop before the Fed's move and, as Graham Bowley explains on page V, the continued fall in bond prices indicates that inflationary fears are not yet over. But Luckraft believes that after the 15 per cent fall in equities prices in the UK, it is not a good time to sell UK unit trusts. "It will be a quiet summer but, at the end of it, when interim results come through showing improved earnings, we could have a good end to the year."

■ *All statistics from Micropal on an offer to bid, net income re-invested basis.*



Dark Horses..?

UNIT TRUST SECTOR PERFORMANCE

% change 1/2/94-1/6/94

Sector	Average	Best	Worst
Japan	1.3	10.9	-8.7
Money Market	0.7	1.3	-2.7
Europe	-6.9	11.0	-18.3
Far East Inc Japan	-10.1	-1.1	-21.2
UK Smaller Cos	-10.8	-4.3	-14.9
North America	-11.2	8.5	-31.1
Fund of Funds	-11.7	-2.0	-18.4
International Equity Gth	-11.9	-2.1	-22.4
Commodity & Energy	-12.0	-2.8	-18.9
International Fixed Int	-12.0	-1.6	-18.8
Australasia	-13.2	-9.8	-18.4
International Balanced	-13.5	-5.4	-21.8
UK Gilt & Fixed Int	-13.8	11.1	-20.1
International Equity Inc	-14.6	-10.5	-19.0
Investment Trust Units	-15.0	-12.3	-18.5
Far East Excl Japan	-15.2	6.4	-24.3
Convertibles	-16.0	-12.1	-20.2
UK Equity Growth	-16.7	-8.7	-22.5
Financial & Property	-16.9	-0.7	-23.8
UK Equity General	-17.2	13.4	-36.0
UK Balanced	-17.8	-8.6	-28.5
UK Equity Income	-18.5	-9.2	-23.8

Source: Micropal

Variable rates drop

Although building societies did not react to February's base rate cut of 0.25 per cent by reducing their standard mortgage rates, they have been reducing variable investment rates; indeed, some have lowered these more than once. Others, such as Buckinghamshire and Manchester, have withdrawn their market-leading postal accounts to new investors because of overwhelming response.

While interest on variable-rate products has been dropping, escalator bonds continue to be the "in" thing due to the low cost of funds on the swap markets. They are now offered by most of the major societies, the top payers being Birmingham Midshires (the only four-year term), Newcastle and West Bromwich. These bonds offer tempting rates but should be viewed as long-term investments as earlier access, if permitted, is costly.

The sometimes exceptionally good rates offered in the fifth year may, however, be misleading and, in some cases, the average rate offered over the term does not match ordinary five-year fixed rates. The best average, from the Newcastle at 8.55 per cent is also worth a look. If investors require gross interest, Confederation Bank Jersey offers a five-year bond paying 8.25 per cent.

Gross fixed interest can also be obtained from the Retail Co-operative Societies. There are several offering rates above the 7 per cent mark. The CWS (061-835 2345) is offering up to 8 per cent fixed for five years and 7.75 for four years on sums from £5,000. The Brighton Co-operative Society (0273-606 722) offers up to 7.3 per cent fixed for five years on as little as £100.

Christine Bayliss, Moneyfacts

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Birmingham Midshires BS	First Class	0802 645700	Postal	£500	5.25%	Yly
Britannia BS	Capital Trust	0538 391741	Postal	£2,000	6.00%	Yly
Leeds & Holbeck	Albion	0532 438292	Postal	£10,000	6.25%	Yly
Nottingham BS	Post Direct	0602 481444	Postal	£25,000	6.60%	Yly
NOTICE A/cs and BONDS						
City & Metropolitan BS	Super 60	081 464 0814	60 Day	£10,000	6.60%	Yly
North of England BS	Edinburgh 60	091 510 0049	60 Day P	£25,000	7.00%	Yly
Britannia BS	Index linked	0538 391690	90 Day	£1,000	6.60%	Yly
Chelsea BS	Fixed Rate Bond	0800 272505	30.9.99	£10,000	9.00%F	Yly
MONTHLY INTEREST						
Britannia BS	Capital Trust	0538 391741	Postal	£2,000	5.75%	Mly
Britannia BS	Index Linked	0538 391690	90 Day	£1,000	6.41%	Mly
Scarborough BS	Scarborough 94	0800 590578	90 Day	£25,000	6.75%B	Mly
Chelsea BS	Fixed Rate Bond	0800 272505	30.9.99	£10,000	8.65%F	Mly
TESSAs (Tax Free)						
Confederation Bank		0438 744500	5 Year	£8,900	8.00%F	Yly
Hinkley & Rugby BS		0455 251234	5 Year	£3,000A	7.35%	Yly
National Counties BS		0372 742211	5 Year	£3,000A	7.25%	Yly
Melton Mowbray BS		0664 63937	5 Year	£1	7.20%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	4.75%	Yly
UDT	Capital Plus	081 447 2438	Instant	£1,000	4.75%	Qly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	6.00%	Yly
				£25,000	6.25%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey Ltd	International	0481 715735	Instant	£500	5.75%	Yly
Confederation Bank (Jrsy)	Flexible Inv	0534 608060	60 Day	£25,000	6.80%	½Yly
Britannia Internatl. Ltd	Index linked	0624 628512	90 Day	£1,000	6.60%	Yly
Yorkshire Guernsey Ltd	Offshore Key	0481 710150	180 Day	£50,000	7.00%	Yly
GUARANTEED INCOME BONDS (Net)						
Consolidated Life		081 940 8343	1 Year	£2,000	4.70%F	Yly
Consolidated Life		081 940 8343	2 Year	£2,000	5.80%F	Yly
Prosperity Life		0800 521546	3 Year	£2,000	6.60%F	Yly
Consolidated Life		081 940 8343	4 Year	£2,000	7.00%F	Yly
Eurolife		071 454 0105	5 Year	£10,000	7.60%F	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	5.25%G	Yly
	Income Bonds		3 Month	£2,000	6.50%H	Mly
	Capital Bonds H		5 Year	£100	7.25%F	OM
	First Option Bond		12 Month	£1,000	6.00%FI	Yly
	Pensioners GIB		5 Year	£500	7.00%F	Mly
NAT SAVINGS CERTIFICATES (Tax Free)						
	41st Issue		5 Year	£100	5.40%F	OM
	7th Index Linked		5 Year	£100	3.00%F +Infln	OM
	Childrens Bond F		5 Year	£25	7.35%F	OM

This table covers major banks and Building Societies only. All rates (except those under heading Guaranteed Income Bonds) are shown Gross. F = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. P= By Post only. A = Feeder account also required. B= 7 day loss of interest on all withdrawals. G= 5.75 per cent on £500 and above; 6 per cent on £25,000 and above. H= 6.75 per cent on £25,000 and above. I= 6.40 per cent on £20,000 and above.Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain an introductory copy by *phoning 0692 500677.*

FINANCE AND THE FAMILY

Go private – if you can

***Bethan Hutton** explains why it can be hard to get medical insurance*

Scare stories about age discrimination in NHS hospital treatment may be making more elderly people think about private medical insurance. Yet, while *the government has encouraged* this in recent years by offering tax relief on medical premiums for those over 60, the last Budget cut the relief available to a maximum of 25 rather than 40 per cent.

Medical insurance will be hit also by the 2.5 per cent tax on all insurance premiums due to be imposed from October this year. But one spot of good news for pensioners is that the tax is added before relief is calculated – so you end up getting tax relief on the tax element, too.

Relief is available to whoever pays the premiums, whether they are themselves the policyholders or are paying for elderly relatives.

The rules about which insurance schemes qualify for relief are fairly strict. Any plan which offers cash benefits for nights spent in NHS hospitals, or covers GP or dental treatment, *will not qualify*.

Changes announced last week mean that plans covering occupational therapy and a few other treatments are no longer excluded, but any scheme including alternative medicine *will not be eligible*.

Jan Lawson, a specialist adviser on medical insurance with the Private Health Partnership, says the biggest barrier for over-60s seeking medical cover is not finding a policy

which qualifies for tax relief *but getting cover for existing* conditions.

By the time they reach their 60s or 70s, many people have minor medical problems which, in themselves, are not likely to lead to any claims but *could contribute to future* problems that would require surgery or other treatment. These include such conditions as mild high blood pressure and arthritis which, if it deteriorated, could require a hip *replacement*.

Most insurers operate a moratorium policy: if you have had a medical problem in the past, but have not seen a doctor about it, taken medication or had any other form of treatment for it in the five years *before joining the insurance* scheme, any recurrence will be covered immediately.

If it has been active within five years, you need to be free of the problem for at least two years after joining the scheme *before it will be covered. But if* you have high blood pressure, and are taking daily medication, you will never have a two-year period without treatment.

Thus, the insurer can refuse *to pay for anything needed to* correct problems that could be traced back to this condition. Ignoring medical advice and failing to take the pills will not help you, either.

Some insurers are more sympathetic than others, however, so using a specialist broker could be a good idea if you have had any health problems.

Medical insurers often refuse to accept new customers in *their 60s or older because they* are seen as high risk. Clinicare, one of the few insurers which will underwrite existing conditions (for a higher premium) rather than imposing a moratorium, does not usually take on new clients over 64.

Since tax relief was introduced, though, many other insurers have introduced special policies for retired people and have increased their upper age limit for new business.

WPA offers one policy *that* accepts new customers up to age-75, and another which has no age limit. PPP also sets no limit, while Bupa will take new customers up to 75 in most of its plans.

Obviously, cost is an important consideration, but many factors will dictate which scheme is right for an individual – including how flexible it can be if circumstances change. Pensioners can choose *from plans with no-claim discounts*, high excesses, six-week waiting list systems, and a myriad other ways of cutting premiums.

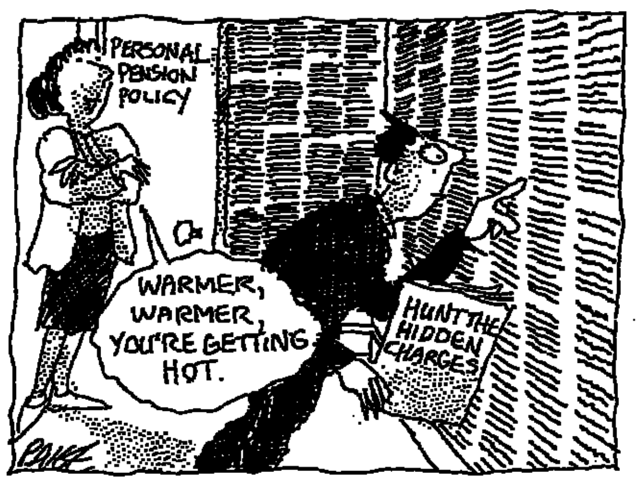
But as long as insurers impose such strict conditions *on covering a person's medical* history, the best advice seems to be to sign up for insurance while you are young and healthy. Otherwise, when you need it, you could find you are too late.

NEW INVESTMENT TRUST LAUNCHES

Manager (Telephone)	Broker	Sector	Warrants	Targets: Size £m	Targets: Yield %	PEP Qual?	Savings Scheme	Issue Price p	Minimum NAV p	Outside PEP: Minimum Invst. £	Outside PEP: Annual Change %	Inside PEP: Minimum Invst. £	Inside PEP: Annual Change %	Offer Period
INVESCO Japan Discovery														
INVESCO Asset management (0800 010333)	Panmure Gordon	Japan	1:5		n/a	No	Yes	100p	95.1p	1,000	1%	n/a	n/a	14/7/94-29/7/94
Specialising in Japanese smaller companies, to be run by manager of Invesco's Japan Smaller Companies unit trust														
Old Mutual South Africa Trust														
Old Mutual (071 772 2173)	Smith New Court	Emerging Mkts	1:5	50	n/a	No	No	100p	95.5p	1,000	1%	n/a	n/a	23/6/94-1/7/94
The UK's first South African investment trust, specialising in smaller and medium sized companies														
Schroder Japan Growth Fund														
Schroder Investment Management (0800 526535)	Smith New Court	Japan	1:5	100+	n/a	No	Yes	100p	95.5p	2,000	1%	n/a	n/a	7/6/94-30/6/94
General Japanese fund from the Schroder stable, which already runs several Japanese unit trusts														

When confusion reigns

Personal pensions: last in the series on the true costs of investing



Good investment performance will always compensate for high charges – but if investment performance falls, you are left with the high charges. These can have a dramatic effect on how much your personal pension plan produces when you cash it in.

Although charges on such plans usually are stated explicitly in the product brochure, working out their implications is almost impossible.

This confusion is made worse by the fact that while new rules on life insurance disclosure come into force at the end of this year, all personal pension providers (mostly insurance companies) must until then quote an identical set of charges laid down by the regulator.

It is, therefore, impossible to tell which companies have high charges and which are *particularly competitive.*

To make matters even worse, the standard set of charges is now so dated that virtually all of the 100-plus providers have higher fees than the standard.

Personal pension plan charges come in a variety of guises and disguises, from the relatively straightforward to the frankly incomprehensible. They include:

■ **Bid/offer spread**
As with most shares quoted on the stock exchange, this reflects the difference between the buying and selling prices, and is usually 5 per cent plus a rounding charge.

■ **Annual fund charge**
All funds have an annual management charge, the norm being 1 per cent but varying *from nil on cash funds to* 1.75 per cent a year for highly specialised funds. Several companies return part of this fee at retirement, re-labelled as a "loyalty bonus."

■ **Policy fee, service or administrative charge**
These fees are charged for collecting contributions. They usually start at an innocuous level of about £2 a month, but *nearly all are* linked to an index and will rise in line with its increases. Most link to the index of national average earnings, which rises more rapidly than the alternative, the retail price index.

Obviously, the smaller the contribution, the bigger the slice the policy fee will represent. Even for single contributions (for example, a lump sum transfer from another scheme), some companies still levy an administration charge, deducted monthly by cancellation of units or as a single deduction at outset of about £100.

■ **Unit allocation**
This is the percentage of the contribution actually invested in units. The rate will vary *enormously between the* providers, how often contributions are paid, and how far you are from retirement. Unit allocations are always higher for lump sum contributions than annual: the lowest are for monthly contributions.

Do not be fooled by companies that tell you the allocation *is, for example,* 102 per cent of what you pay. Although it sounds good, it simply means *the charges are being deducted* elsewhere.

Unit allocations can be as little as 50 per cent of the first year's contributions. But some smaller life companies, which sell pensions entirely through their own sales forces, can have a unit allocation of zero for the first two years.

■ **Capital levy**
This is the most obscure and, frankly, the most misleading of all charges levied on personal pensions.

It is an old-fashioned method of taking out up-front charges and is used simply to disguise this fact.

Life offices that operate this system will have two types of unit, capital and accumulation. For the first one or two years, contributions will be allocated to capital units which bear an additional annual charge *throughout the lifetime of the* pension plan. Capital units do not apply to lump sum contributions.

By operating this system, the brochure (or the salesman) will be able to say that 100 per cent of contributions are invested from day one. Clearly, this is better from their point of view than saying that half or all of your first year's contributions are swallowed up in charges. *The capital unit method disguises* this completely.

■ **The sting in the tail**
Watch out for "hidden" charges that may not be apparent from the brochure or the salesman. These are penalties levied if you cancel your policy in the early years. This charge can be swingeing – General Portfolio, for example, has a nil value on its personal pension if you cancel in the first five years.

To show the effect of charges, we have taken a £10,000 single contribution. If it were to grow at 10 per cent a year without any charges deducted, it would be worth £25,937 after 10 years.

The average charging policy would deduct a total of £3,557 but the highest charging plan – that of Royal London – *would deduct £4,846*, which is almost 19 per cent of the fund value.

It is impossible for the layman to work out the effect of all these complex charges, but there are two ways of avoiding the most onerous. You can pay by single contributions or recurring single contributions; or pay an independent adviser a fee, thus ensuring that the commission part of the charges is re-invested in the pension plan.

In the example given above, *the most competitive personal* pension plan with no commission deducted is from Provident Life. Its charges amount to a deduction of £1,774 over 10 years, or 6.8 per cent of the total. But do not forget that the cost of the fee, and lost interest on that, has to be taken into account.

COST CHECK

Service charge	Cost
Commission	......
Bid/offer spread	......
Annual charge	......
Policy fee	......
Allocation rate	......
Capital units and how they work	......
Company's record on early early surrender	......

Janet Walford

■ *The author is editor of Money Management magazine*

Car-maker's Bitter blow

In the heady days of the mid-1980s, I was persuaded to invest in Bitter Corporation, a German company run by one Eric Bitter, engineer extraordinary and maker of the fabulous, up-market Bitter luxury sports car.

The last I heard was a curt letter – possibly in 1988 – saying that Bitter shares could now be dealt with on the NASDAQ system in the US. What happened to Bitter? Are the shares still tradeable?

■ Bitter shares are certainly not dealt with on NASDAQ and, as far as we can determine, the company is no longer trading. *(Answer by Murray Johnstone Personal Asset Management).*

Suspect – but I wasn't told

On August 18 1988, I bought 2,000 shares in Trillion plc [an independent television production company]. *As of March 17* 1989, this firm had £25m in cash for the sale of Limehouse *Studios on Canary Wharf* in east London.

I have been in touch with [the industry regulatory bodies] Fimbra and Lautro but it appears Trilion plc was not a member of either.

I bought the shares through a firm in Norfolk which was a Fimbra member but left on May 14 1992. I learnt only recently that it should have told me Trilion plc was not registered with any back-up organisation and that I risked losing all my investment should Trilion go out of business.

It did not give me this information, however. Is there any action I can take to recover my money?

■ *Huge* debts forced Trilion into receivership in December 1992 and we regret that your former shareholding is worthless. To advise you on whether you have any ground for action against the Norfolk firm, we would need to know the nature of your relationship with it.

If you were asking it merely to act as an execution-only broker, then your investment in Trilion can only be written off as a bad loss.

If, on the other hand, it had a specific discretionary investment management agreement with you, and specifically disobeyed instructions not to invest in such small companies, then you might well have a right of action.

Unfortunately, Trilion was a sad example of a small company not surviving in tough industrial conditions. *(Answer by Murray Johnstone).*

Q&A
BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

Paying tax on share sales

Do you have to pay tax when selling shares. I am a non-taxpayer.

■ You have to pay CGT only if your total capital gains (after indexation relief) amount to more than £5,800 in 1994-95. As you are a non-taxpayer, the next £3,000 of capital gains beyond £5,800 would be taxed at 20 per cent; the next £20,700 at 25 per cent; and the rest at 40 per cent.

Feedback

From C. Vince

I was particularly interested in your article on unit trust charges on May 14/15. Might I draw attention to two situations where there could be losses in value for investors related to bid/offer spreads, in cases where managers decide the timing of purchases and/or sales.

In the first case, it is possible for the individual investor to detect what is happening, and perhaps even to reduce the impact. I am not sure if one could establish the facts in the second case: I hope it does not happen.

Regular monthly savings in a unit trust: When operating a regular monthly savings scheme, the managers may fix a few day(s) in the month when they buy units for the regular savers.

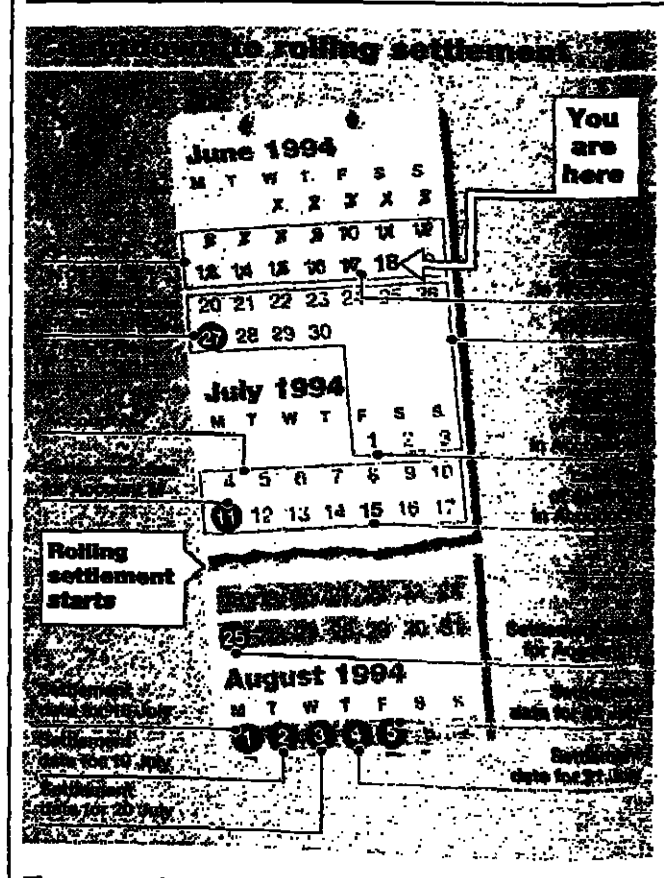
On such days, purchases normally will outweigh re-purchases, in which case the fund may move to an offer valuation.

Naturally, sales of units will, in general, be on other days, *probably with a bid valuation.* This practice effectively increases the bid/offer spread – in one case that I know, from 5.3 per cent to 8.6 per cent. The difference would normally be less.

Managed fund of in-house unit trusts: For a fund consisting of in-house unit trusts, it would not be surprising to find that when the fund sells units of one of the unit trusts in the fund, the re-purchases for that unit trust, for that day, outweigh purchases; and the reverse when the fund buys that unit trust.

If the spread for the unit trust moves to the bottom of the permitted range in the first case, and to the top in the second, then the spread effectively is increased. With active management, the impact could be significant, even when no initial charges exist (or when those that do exist are rebated).

C. Vince
10 Keepers Wood
Chichester
West Sussex



There are *only two* complete account periods left until rolling settlement – the new system of settling payment for buying and selling shares – begins on July 18.

The stock exchange divides the year into account periods named by letters of the alphabet. Yesterday was the last day for dealings in account period L and a bill for the net amount for all trades conducted in the period, which began on June 6, has to be settled on June 27. This allows investors who dealt early in the account up to 15 working days to settle.

Being able to settle the net amount is useful for all investors. Speculators aiming to make a profit within the same account can, if successful, make money without ever having to put up a penny.

Account periods will disappear from July 18, although investors who deal in the last period – account N – can still settle in the usual way on July 25. But from July 18, the settlement day will be 10 working days after dealing day – or T+10.

PERSPECTIVES

Minding Your Own Business

Thirst for success beats the drought

Clive Fewins on a company's recovery

One dry, hot day in June 1976, Nick Handover and his wife Pauline, plus 16 staff, began on a contract to clean the stone of 52 buildings in Bath, Avon. By the next day the project was dead.

"It was the time of the national drought. We were told in the evening that our task was not an essential use for water and must cease. After eight years hard slog we had developed a system, acceptable to the conservation lobby, for the pressure water cleaning of soft stone and were turning over a healthy £500,000," Handover said. "The next morning the company was effectively finished."

A pick-up truck and trailer, emblazoned with "Drain Brain", the name Handover had given his company, was permitted to continue essential local authority work. This left the workforce doing very little for 2½ months until he opted for voluntary liquidation.

"Water has been my way of life for 26 years. I love the stuff – even revolting dirty water – but it was water, or the lack of it, that finished off my first venture," said the 52-year-old English-educated South African.

"My big mistake, after the Bath episode, was being loyal to the workforce and keeping them on. It eventually meant we had to sell our house and buy a much cheaper one and I owed my creditors £87,000."

It took nine years to pay it back but Handover had succeeded in convincing his creditors that they would be better off if they allowed him to continue trading rather than forcing him into compulsory liquidation.

"We put our heads down and kept going. It was drain cleaning pure and simple – two of us carrying out an essential service all over the west of England, performing a task nobody liked doing," he said.

By 1979 Handover felt things might be improving when Dyno-Rod tried to buy his company name for £12,000. He could have done with the money, but he declined.

In 1982 he was able to move again to a larger home near Cirencester where he could house his four vehicles in the old stables. By 1986 the fleet had grown to 12 vehicles and the company turnover was £1.6m. Two years later it had grown to £1.8m.

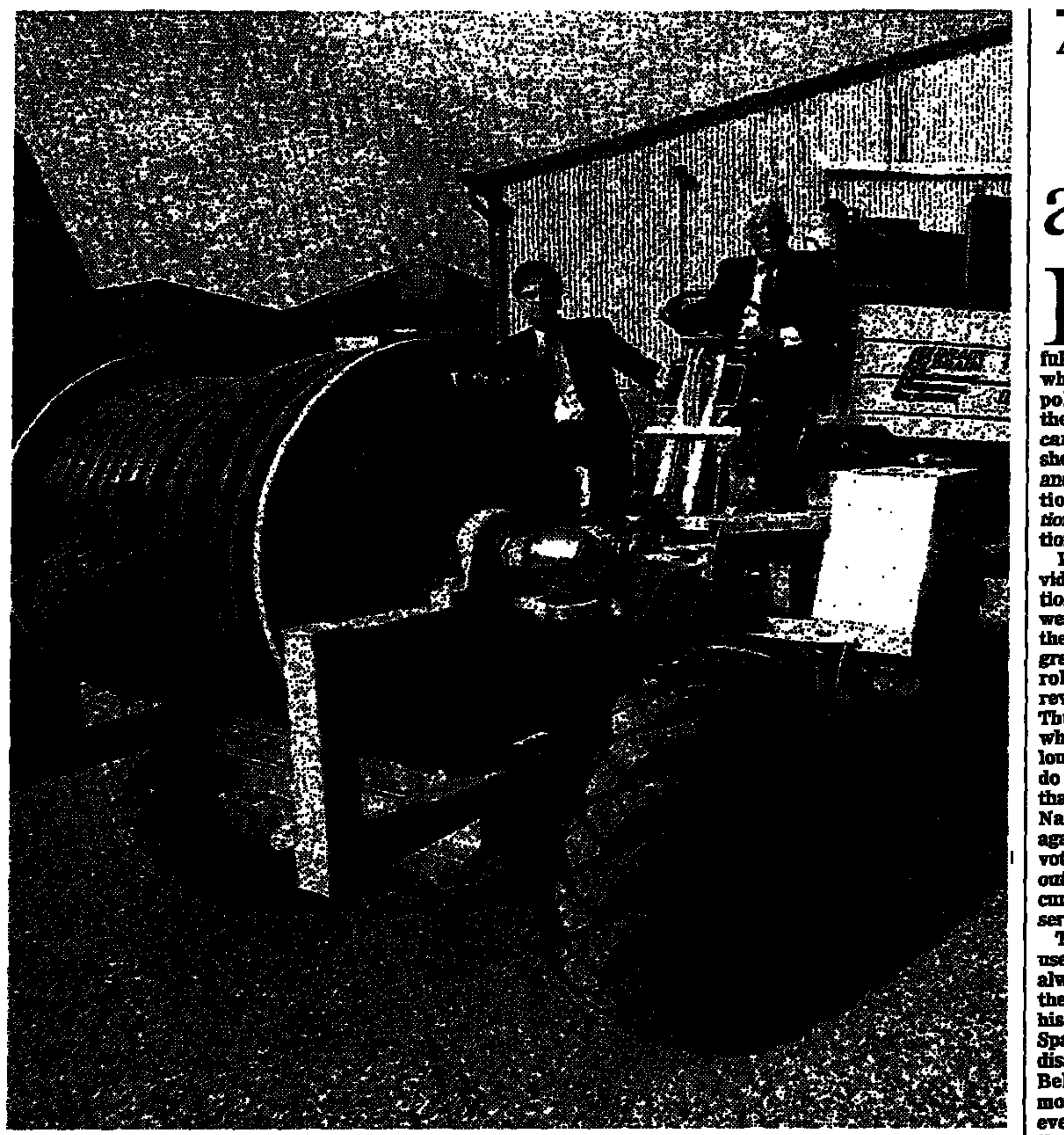
Handover explained: "Really, the growth had been much too fast. I didn't have the management expertise to handle this sort of money and I was utterly unsuspecting when a Frenchman rang and asked if he could come and see how our operation worked." He eventually asked if the company was for sale. Handover said no.

The Frenchman returned a few months later, in February 1989, by which time things had changed. "He asked me if I would sell a share to the company he worked for," said Handover. "I said yes. The press seemed to be full of gloom about the impending recession, and we had lost a lot of work from large developers."

In July 1989 Sanitra, the drain cleaning arm of French water company Lyonnaise des Eaux-Dumez, took over 76 per cent of Drain Brain. Handover was given the property he lived in as a gift, as well as a lump sum, and appointed managing director.

Soon after, he moved the business to a country site and was keen to build a workshop, a store area and offices on the 2½ acres he had leased from a farmer near Bibury, Gloucestershire.

All was fine at first. Handover got on well with his new colleagues and Sanitra willingly financed the £400,000 building project. However, they were unhappy at the lengthy British planning processes, and especially at the attitude of a neighbour who objected to the development.



Matthew Byrne and Nick Handover: practical experience dovetailed with efficiency and business sense Colin Beere

By 1992 the French had provided more than £1m for buildings and equipment, but turnover had dropped from £1.9m to £1.7m. By the time the recession took hold the books were showing a loss – minimal in 1990/91 but £300,000 the following year.

The French switched management and imposed financial restraints. "It got very fraught," he said. "I couldn't stand either of the two new key men."

Eventually, it was Handover who stayed and the French who left, an outcome largely due to the arrival of 27-year-old manager Matthew Byrne. He had worked for Shell for five years and was headhunted by Sanitra, who saw him as the saviour of their English operation.

"I think they thought that with my arrival Nick would give up and go," said Byrne. Instead, the opposite happened: Handover's practical experience dovetailed with Byrne's efficiency and business sense.

After a dreadful 1992, in which the company lost £280,000, business started to pick up, helped by the North Sea work that Drain Brain, or DB Industrial as the company is known offshore, won because of the equipment bought with Sanitra capital.

At the beginning of 1993 – the year DB Industrial went into profit again – Sanitra pulled out. Handover and Byrne bought the company as joint managing directors in March last year. They each put up £20,000 of their own money and the total company debt of £400,000 was met by a £75,000 loan from the Rural Development Commission, £30,000 from Credit Lyonnais, £35,000 (interest free) from Sanitra, and £200,000 set against current debtors. The rest is secured by a bank overdraft.

"It was a phenomenal deal. Said Handover: "It was probably silly to get involved with the French, but in a funny sort of way they saw us through the recession."

■ *Drain Brain, Meadowlands, Bibury, Cirencester, Glos GL7 5LZ. Tel: 0285-740682.*

As They Say in Europe/**James Morgan**

Free votes in an ideal election

For those interested in Europe or elections, European elections are a dead loss. There is no meaningful result and people "don't know what they are voting for". For the political philosopher, however, they are a goldmine. The cryptic cartoon in *El Pais* last Monday showed a book written by Rousseau and other *savants* entitled "All elections are general". The *International Herald Tribune* said all elections were local.

In fact, the European poll provided the platonic ideal of an election. How would you vote if you were not constrained by fears of the result? How would you vote if greed and self-interest played no role and your sole aim was to reward virtue and punish vice? Thus the British were able to do what they told the country's credulous opinion pollsters they would do in 1992. They voted for the party that promised more money for the National Health Service, and against the government. The Dutch voted for the party they chucked out last month because it wanted to curb the country's bloated welfare services.

The Germans, unimaginatively, used the occasion to vote as they always do; the Italians to express their faith in their new *Duce* and his "post fascist" hangers on. The Spanish showed that they really disapprove of corruption and the Belgians chose their esoteric mosaic of parties which ensures every government in Brussels is the same.

As usual the British, modestly, and the French, spectacularly, provided the drama. The French, however, took most advantage of the unusual opportunities offered by Euro-voting. As *Libération* remarked: "The European elections are always more exciting after the vote than before." There was huge support for symbolic candidates. Thus Phillipe de Villiers and Sir James Goldsmith gained an eighth of the vote for their anti-Brussels, anti-free trade campaign which suggested that peace, prosperity and full employment would reign again in France once prohibitive tariffs were placed on imports of Indonesian underpants.

Bernard Tapie, the businessman arraigned on corruption charges and master of the Marseilles football team, also did well, largely thanks to the under-25s. As *Libération* pointed out, Tapie represented the divisions between the official left and ordinary voters while de Villiers "chewed up the heart of the electorate of the right". So the Euro-vote in France resurrected ancient reflexes and anointed the fashionable rebel. There is little room in a normal, general election for Bonapartism and glamorous rascals.

Such attractive opportunities do not exist in any election in Germany. There the occasion was taken seriously, but not seriously enough, and the *Frankfurter Allgemeine* had to issue its standard indictment: "The difficulty of direct elections to the European Parliament is as always that the voters have no basic understanding of what they are voting for. There are not the usual alternatives of 'government and opposition'." It lamented the lack of what it called "European parties".

The trouble with such a notion is that it would allow no room for diversity. Anti-Euro forces are powerful in most countries but in each case they resent different aspects of the Union – usually those which make membership acceptable to sceptics elsewhere. A cross-border Eurosceptic party would make as much sense as a cross-border Nazi party. It would exist to fight itself.

German gloom was taken to its logical conclusion by the *Süddeutsche Zeitung*: "The Social Democrats lost, the Free Democrats lost, the Bonn coalition lost. The Red-Green Alternative lost no less and finally Europe lost. For Europe was discussed, before the poll and afterwards, as little as in a domestic election."

This was a universal complaint. But the paradox is that the day is coming when European issues will dominate domestic elections. As people catch on to how much Brussels and the European parliament matter they will look more to their national governments to defend their national interests. I look forward to reading diatribes on the way national issues have become "submerged in ill-informed debates about the 'future of Europe'."

■ *James Morgan is economics correspondent of the BBC World Service*

Dispatches/**Kieran Cooke**

Upriver in Sarawak

The headman wanted a translation. "It's the eyes. Just watch. She never blinks." Satellite TV is illegal in Malaysia. But the more remote you are the more the outside world intrudes.

Here, in the centre of Borneo, sitting in a tribal longhouse with shrunken heads hanging on the wall, surrounded by dense jungle, headman Long Lihan and I watch American TV news.

Long Lihan has tattoos on his feet, legs and arms. His mighty ears have big gaps pierced in them. His face is like a collapsed football, wrinkled, toothless and warm. He peers at the screen. "What strange people. Do they take drugs?"

Long Lihan's longhouse is 500km upriver from Sarawak's coast. At Sibu, near Sarawak's coast, I'd climbed on board the *Wah Wah*. It was more a torpedo than a boat. With engines kicking out 700-horsepower the *Wah Wah* sliced its way up the Rejang river for five hours.

An on-board video showed a programme on how to take care of office plants. I tried to read *The Field Book of a Jungle-Wallah*, written nearly a century ago by a senior official of the Brookes, the White Rajahs of Borneo. Journeys were more peaceful in those days.

"On a sandy point, a 100 yards or so away, my Chinaman is conjuring back into life last night's fire . . . around me I hear the cry of awakened beasts, the whistles and calls of many birds, the high treble of insects, many varying voices."

The only sounds I hear are talk of bio-feed for the potted plants and the roar of *Wah Wah's* engines. But there had been plenty of excitement along the way.

Journalists are not very welcome in Sarawak. The state feels too many negative articles have been written about the logging industry and the depletion of the tropical rain forests. Officials have become incensed as foreign environmentalists have taken up the cause of jungle dwellers protesting about the destruction of their homelands.

Outside the hotel in Kuching, Sarawak's capital, there was a whirring of film. A rather inept special branch man was whistling nonchalantly round, taking pictures behind his back. His camera must have been made from rejected East German tractor parts. I think he got a good shot of my socks.

At the hotel in Sibu a Canadian psychiatrist insisted that I should consider treatment. I should monitor my behaviour. We travelled upriver together. The whole time, she talked about the Yukon.

The rule of the Brookes went little further than Belaga, a town of about 2,000 on the upper reaches of the Rejang river. From here I needed to charter a boat to get into longhouse country. Upriver people drink a lot. A deal was done over glasses of "Brandi Coke" (Crocodile brand), a paint-removing liquid sold at the local store.

Four more hours upriver. We stop at one longhouse. It is more than 200 metres long. Some 550 people live here, consisting of 92 families.

There is more drinking, this time of tuak, the local rice wine, poured out of what looks like a petrol tin.

"We must go to see Long Lihan," says the boatman. "It is only a few minutes upriver, over the rapids." I choke on the tuak. "Do you really think we should . . . perhaps I had better stay here?"

No. Not to see the headman would be a serious insult. There is no choice. Soaked and mildly sozzled, I clamber into the longboat.

We leap the rapids and cross whirlpools. The engine roars and stutters. The rain lashes down. Then, around a river bend, peering ridiculously through the pitch dark night, there is a set of fairy lights. Long Lihan's house. A kingdom all on its own. He has his own generator – and satellite dish.

I loose my balance clambering up a river bank log. The headman nods a casual greeting at this mud-caked stranger and makes a place in front of his TV. We watch the US weather forecast. At some point I pass out on the floor.

We leave in the morning. Long Lihan is in front of the screen, mesmerised. "She still hasn't blinked," he says.

SPORT: WORLD CUP '94

Norwegians suffer blackout amid arctic night

There is no part of the world, it seems, untouched by World Cup madness and the financial leverage such madness brings, reports Nicholas Woodsworth from Reine, Norway.

Earlier this week, north of the Arctic Circle, in Norway's Lofoten Islands, the villagers of Reine received a nasty surprise. Just days before Norway was to play its first World Cup Group E match – against Mexico, tomorrow, Norway's first World Cup match in 56 years – NRK, the Norwegian national television network, went on strike.

Down by the docks, in the Gammelbua bar and restaurant, there have not been such rumblings since the introduction of the EU cod quota. (The flairful Norwegians were partly responsible for the England team's failure to qualify for this year's World Cup finals).

"It is absolutely disgusting," said Bent Henriksen. Like most villagers here, Henriksen owes his addiction to soccer to the six-month-long arctic night.

"The timing of this strike is no mistake. The last time NRK did this was the World Cup in Italy; we had no sound until the semi-final. But when your own country is involved, that is dirty play."

How much does soccer mean to an isolated arctic island of fishermen? A lot, says Henriksen.

The season is short, and the Reine junior team have to dig their pitch out of the snow in May. In Bodo, 3¾ hours away by boat, the grass in the municipal stadium grows only because of electrically-heated cables beneath the sod. The Bodo team hold the Norwegian First Division Cup.

No mere strike, then, is going to stop Reine from watching World Cup action. In case NRK's pictures do not arrive, the Gammelbua bar and restaurant has sent off an order to the mainland for the express delivery of a large screen and satellite dish to receive German television.

The management is confident that large crowds of desperate fans – plus increased beer sales – will cover the cost.

Most Norwegians believe that if their team can overcome Mexico in their opening match, they may even stand a chance against Italy next Thursday. The real fear, though, is that the satellite dish will not arrive on time.

If that happens, there will be little warmth or cheer in the midnight sun of Reine this summer.

● The team doctor said that, as things stand now, all 22 of Norway's players should be in shape for their opening game, despite an injury scare after midfielder Oyvind Leonhardsen injured his right knee in training on Thursday.

Stage ready for stars to shine

***Peter Berlin** in New York wonders which of the world's great players will dominate the finals*

Among the tantalising prospects of the World Cup finals is the debut on a US stage next Tuesday of an unlikely character: Diego Maradona, missionary.

North American newspapers and magazines have been packed with handy guides to the soccer basics. Often, these previews were decorated with pictures of Argentina's Maradona scoring by punching the ball over England's earth-bound goalkeeper Peter Shilton in the 1986 World Cup – helped, claimed the cheeky Argentine star, by the Hand of God.

In the US, partly for the wrong reasons, Maradona is the world's best-known soccer player. Over the next four weeks, therefore, it is up to him to spread the faith among the unbelievers – starting (if he is picked) in Tuesday's match against Greece in Boston.

As ever, the World Cup finals will provide an important measure of world soccer's health. They may also reveal something about the US. Is it closer culturally to its neighbours in South America, or to western Europe? Players and fans, superstitious as ever, are fretting for an answer.

Western European teams have won seven of the eight World Cups held in western Europe but none of the six held in South America. When the trophy is hoisted into the air in Los Angeles on July 17, we will know whether it is easier to vault the Rio Grande than the Atlantic.

In the last 20 years, South American World Cups have been better than those in Europe. The 1970 competition in Mexico drew its tone from the dazzling victors, Brazil. Argentina, the hosts, won with attacking play in 1978.

Mexico, in 1986, was adorned by France, Denmark, the USSR, Brazil – and Argentina's Maradona at his peak.

In Italy four years ago the style was set by the first and last matches, both of which produced more sendings-off than goals and in both of which defensive muscle triumphed over attacking skill.

Cameroon, who won the opening match, and Argentina, who lost it, were the successes of the competition. More talented teams could not beat them. They were only undone by the number of players penalised by red and yellow cards.

But Latin American World Cups are not always good. It might simply be that recent World Cups in South America have coincided with richer-than-usual crops of that most easily damaged commodity: the soccer star.

In 1990, the tournament was almost devoid of new stars. This time, things could be much better. Alfio Basile, the Argentine coach, says that Maradona – who has scored almost as many goals for his country as his team-mates combined – is in good form. This could be a bluff. But even unfit, Maradona is a useful psychological weapon, as he showed in Italy, and could be a decoy for Argentina's fresh attacking talent.

While the troubles of the last few years may have damaged Maradona's waistline and psyche, the enforced rest will have given his tattered knees the chance to recuperate a little. Four years ago, Maradona was unable to shoot. That will be a test of his fitness in the US.

Even if Maradona is unable to establish a place for soccer in the hearts of American sports fans, there are plenty of potential stars in the making. The most likely candidates are players, like Maradona in 1986, in their middle or late 20s who have been to the World Cup finals before. There is a gang of such players.

If Tomas Brolin can reproduce his 1990 form, and if his Swedish team-mates play well around him, he will come to the fore. The same applies to Enzo Scifo of Belgium, who, at 28, is playing in his third World Cup, and the temperamental Gheorghe Hagi, 29, of Romania. Both played well in Italy. Now, both have better attackers in front of them to help make their creative work shine.

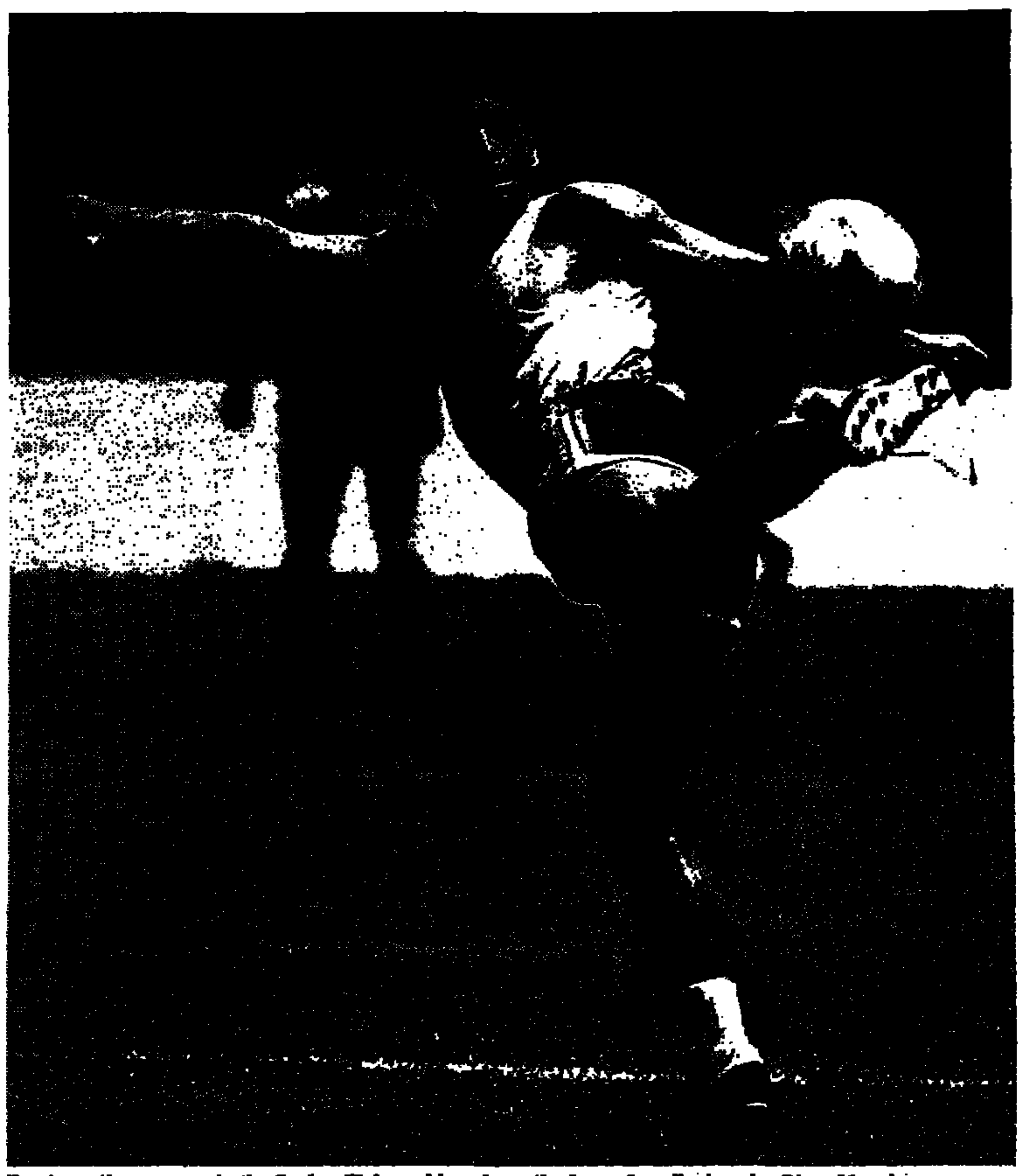
Colombia's Carlos Valderrama, 32, is in the same position. In Italy his passing was often decorative rather than dangerous. This time he has the explosive Faustino Asprilla to pass to.

Asprilla is one of a crop of bad-tempered strikers who will catch the eye one way or another in the US. Others include the Barcelona team-mates Romario of Brazil and Hristo Stoichkov of Bulgaria.

If the Dutch are to match the glories of their past, Dennis Bergkamp will need to rediscover his best form. And, whatever Basile says about Maradona, Argentina's best hopes rest on the striking power of Gabriel Batistuta and the sinewy mid-field play of Fernando Redondo.

Almost every team has potential stars. The question is whether they will be given a chance to shine. Four years ago, intimidating defenders generally held the upper hand over attackers – although, as Cameroon demonstrated, there is no reason why a team cannot defend thuggishly and attack artistically.

Anyone who still cherishes illusions about the innocence of Cameroonian tactics should avert their gaze when they play Brazil in San Francisco next Friday. That match should indicate the direction of these World Cup finals. If the Brazilians are able to play at their best, it is difficult to imagine how American sports fans could fail to be captivated.



For Argentina, success in the finals will depend largely on the form of prodigal genius Diego Maradona Picture: AP

Italy and Ireland stir up Big Apple's ethnic passion

One of the most eagerly awaited clashes of the World Cup first round, Italy vs Ireland – today, in New York – is stirring passion and debate, especially in Irish-American pubs and in Italian-American coffee shops.

"We'll beat [Italy] 2-0," said Eamon Moyna as he sat on a stool in Grahams, a bar in Kearny, New Jersey. A native of Ireland, Moyna is one of many in Kearny who follow the Irish team fervently. He is also one of the lucky ones with tickets.

Not far from Moyna sat Gerry Durning. Although he is a Scot, Durning supports Ireland. "The Irish lads have hearts like lions," he said. "The Italians are all prima donnas." But he agreed that the heat wave in the area could help Italy. A temperature of around 32°C is expected.

Italian-Americans sitting at tables at the Caffe Intermezzo said they were betting on the heat to wear down the Irish players. "What do the Irish know of heat?" asked Piero Santini. "The weather, it is in our favour."

Havelange wins

Joao Havelange was re-elected to a sixth term as president of Fifa, soccer's governing body, and Fifa voted in 14 new members, including Slovakia, the Czech Republic and seven former Soviet republics. It denied membership to Bosnia-Herzegovina because of the war there.

War of words

Tempers were rising in Orlando, ahead of tomorrow's Belgium-Morocco game. Morocco's Nacer Abdellah, who plays in Belgium, accused Belgian defender Michel Dewolf of being slower than his grandmother, and talked about intimidating Croat-born striker Josip Weber with comments about the war in his homeland. Belgian coach Paul Van Himst said the grandmother cracks would inspire his team. But the political taunts, he said, were "repulsive."

Visa wrangle

Hundreds of Nigerian fans have been denied US visas. The US Bureau of Consular Affairs in Washington said that all foreign residents applying for visas must prove they do not intend to stay in the US after the tournament. The Organisation of Nigerian Nationals in Dallas said many Nigerian fans owned businesses, were well-to-do and planned to return home.

Smart money backs South Americans

Over the next month, I plan to drub Britain's bookmakers until they weep, writes Michael Thompson-Noel. Betting-wise, an event like the World Cup requires a well-laid strategy, adroit money-management, a close watch on the odds – and luck.

I am making title-winning bets only, and ignoring dangerous exotica such as match, group and each-way betting, or who scores first in US vs Switzerland.

Current strategy: South America.

Bets struck: £70 on Colombia to win the tournament, at 9-1; £60 Brazil, 3-1; and £20 Argentina, 10-1. Colombia would be a big winner, with a net overall profit of more than 300 per cent. For now, the other two bets are savers.

First crunch date: start of the second round, on July 2.

■ Remaining first-round schedule

The top two sides from each group, plus the next four best performers overall, qualify for the second round, July 2-5.

Group A	Group B	Group C	Group D	Group E	Group F
US	Brazil	Germany	Argentina	Italy	Belgium
Switzerland	Russia	Bolivia	Greece	Ireland	Morocco
Colombia	Cameroon	Spain	Nigeria	Norway	Holland
Romania	Sweden	S. Korea	Bulgaria	Mexico	Saudi Arabia

Date	Group	Venue	Time*	Match
Today	A	Detroit	4.30pm	US vs Switzerland
	E	New York	9.00pm	Italy vs Ireland
	A	Los Angeles	12.30am	Colombia vs Romania
Tomorrow	F	Orlando	5.30pm	Belgium vs Morocco
	E	Washington	9.00pm	Norway vs Mexico
	B	Los Angeles	12.30am	Cameroon vs Sweden
Mon 20/6	B	San Francisco	9.00pm	Brazil vs Russia
	F	Washington	12.30am	Holland vs S. Arabia
Tues 21/6	D	Boston	5.30pm	Argentina vs Greece
	C	Chicago	9.00pm	Germany vs Spain
	D	Dallas	12.30pm	Nigeria vs Bulgaria
Wed 22/6	A	Detroit	9.00pm	Romania vs Switz'land
	A	Los Angeles	12.30am	US vs Colombia
Thur 23/6	E	New York	9.00pm	Italy vs Norway
	C	Boston	12.30pm	S. Korea vs Bolivia
Fri 24/6	E	Orlando	5.30pm	Mexico vs Ireland
	B	San Francisco	9.00pm	Brazil vs Cameroon
	B	Detroit	12.30pm	Sweden vs Russia
Sat 25/6	F	Orlando	5.30pm	Belgium vs Holland
	F	New York	5.30pm	S. Arabia vs Morocco
	D	Boston	9.00pm	Argentina vs Nigeria
Sun 26/6	D	Chicago	5.30pm	Bulgaria vs Greece
	A	Los Angeles	9.00pm	US vs Romania
	A	San Francisco	9.00pm	Switz'land vs Colombia
Mon 27/6	C	Chicago	9.00pm	Bolivia vs Spain
	C	Dallas	9.00pm	Germany vs S. Korea
Tues 28/6	E	New York	5.30pm	Ireland vs Norway
	E	Washington	5.30pm	Italy vs Mexico
	B	San Francisco	9.00pm	Russia vs Cameroon
	B	Detroit	9.00pm	Brazil vs Sweden
Wed 29/6	F	Orlando	5.30pm	Morocco vs Holland
	F	Washington	5.30pm	Belgium vs S. Arabia
Thurs 30/6	D	Boston	12.30am	Greece vs Nigeria
	D	Dallas	12.30am	Argentina vs Bulgaria

*British Summer Time

The quarter-finals will be played on the weekend of July 9-10, in Boston, Dallas, New York and San Francisco; the semis on Wednesday, July 13 (New York and Los Angeles); and the final on Sunday, July 17 (Los Angeles).

A global game for a global market

Patrick Harverson in New York on the sponsors spreading the soccer gospel

Corporate America has a long history of pouring millions of dollars into professional sports, either through direct sponsorship, television advertising or marketing tie-ins. As a result, when the US won the right to stage soccer's 1994 World Cup, there were plenty of big companies eager to sign up as sponsors of the event.

The fact that the World Cup is a tournament of soccer, a game with an extremely low profile in the US and largely absent from its TV sets, mattered little to American companies, because the event was never expected to draw a particularly large or enthusiastic domestic audience.

Instead, the event's lure was the opportunity for US companies to win exposure to the vast global audience expected to follow every pass, tackle and goal of the month-long competition. For corporate America, World Cup football offered the chance to reach the parts that mainstream US team sports – baseball, basketball, ice hockey and American football – rarely reach: South America, Europe, Africa and the far east.

It was access to this football world beyond the US that persuaded seven US companies to spend a reported $20m on official sponsorship rights to World Cup '94. They were: Coca-Cola, General Motors, Gillette, MasterCard, McDonald's, M&M Mars and the battery maker Energizer (owned by Ralston Purina).

For US companies with extensive business interests in many overseas markets, the potential worldwide TV audience was the chief attraction. The largest audience ever garnered by the Super Bowl of American football, the showcase of American sports, is 750m people. In contrast, more than 2bn people watched the soccer World Cup final in Rome four years ago. In 1990, the 52 games in Italy drew a cumulative audience of more than 30bn. That is a lot of car owners and hamburger eaters.

Aside from the official sponsors, another seven US companies (American Airlines, Budweiser, Electronic Data Systems, ITT Sheraton, Sprint, Sun Microsystems and Upper Deck Trading Cards) have paid several million dollars each to become marketing partners of the event, and dozens more have signed up with the tournament as official product, service and equipment providers, regional supporters and licensees.

More than 50 large US companies have paid the international and US football authorities at least $250m in fees to earn the right to associate their products with the World Cup.

Although soccer is a minor professional sport in the US, several of the sponsors for this year's event are not new to the World Cup. Gillette's involvement with the tournament dates back to 1970, Coca-Cola has been a World Cup sponsor since 1978, and General Motors was involved with the tournament in Mexico in 1986.

For sponsors like these, the diversity of the global audience is at the core of the World Cup's appeal, whether the event is being held in the US, Europe or South America.

General Motors, for example, plans to advertise its cars and trucks on advertising boards placed around the pitches, but the boards will display different makes and models of GM vehicles according to which teams are playing in which game.

In a game featuring Germany, for example, GM will use its boards to sell Opel, its chief European brand. When Brazil or Mexico are playing, the boards will display the name of Chevrolet, GM's Latin American brand.

McDonald's – which sells an identical product the world over – plans to treat viewers in Norway, Greece, Nigeria, South Korea and Colombia as a single market by broadcasting the same commercial – identical everywhere save for the language of the voiceover.

As for sports-loving Americans who normally show little interest in professional soccer, the tournament's sponsors are hoping that promotional events in local markets where the games are being played – combined with media coverage and the excitement generated by the presence of a huge international sporting event – will help to pique the interest of even the most dedicated baseball fan.

SPORT

Tennis

Kind route beckons Sampras

John Barrett discusses the Wimbledon seedings

Among the men at least, the 108th Championship meeting provides an intriguing mixture of certainty and speculation. Defending champion and world No 1, Pete Sampras, is certain to start an overwhelming favourite.

The 22-year-old American has lost only five of his 54 matches in 1994 and has won seven tournaments, more than twice as many as anyone else. Yet the weight of history is against him.

Only eight times since the arrival of open tennis in 1968 has the men's top seed at Wimbledon won the title and in the last 13 years it has only happened twice. Furthermore, defending a title successfully has proved surprisingly difficult.

In the 48 years since the war the only men to have achieved that feat are Lew Hoad (1956-7), Roy Emerson (1964-5), Rod Laver (1961-2, 1968-9), John Newcombe (1970-1), Bjorn Borg(1976-80), John McEnroe (1983-4) and Boris Becker (1985-6).

Sampras should win. He has proved himself to be the best player on fast surfaces and since teaming up with coach Tim Gullikson two years ago he has matured as a match player. Yet no-one is sure how he will be affected by his two latest losses.

When Jim Courier beat him in Paris three weeks ago, to prevent him from holding all four major titles at the same time, Sampras was strangely inhibited. He never fully committed himself to all-out attack. This, just two weeks after destroying the field in Rome.

It was the same last week at Queen's Club. Although fellow American Todd Martin did serve particularly well, there was a worrying lack of urgency about Sampras' performance. Perhaps, all along, the champion was simply pacing himself, conscious of the need to preserve his best form for the coming two weeks.

The draw has been kind. Sampras starts against his neighbour in Florida, Jared Palmer, and has as his prospective third round opponent Yevgeny Kafelnikov. The promising young Russian was within two points of beating Sampras in Australia.

Sergi Bruguera, winner for the second year in Paris, is cast as his quarter-final opponent but the Spaniard has not played at Wimbledon since 1990 when he lost in the second round and may not reach his appointed place. The only reason Sergi has entered this time is to get some match play on grass before Spain's Davis Cup tie against the Germans at the new grass court centre in Halle on July 15-17.

There are three men who might face Sampras in the semi-finals, the two former champions Stefan Edberg (1988, 1990) and Andre Agassi (1992), plus Martin. Edberg (seeded 3), is going through another bout of double-faultitis and has No 14 seed Marc Rosset, as well as dangerous floater Wayne Ferreira, in his section. He may not survive.

Agassi is as enigmatic as ever and lacks match play. Yet that has been true for the last three years during which period he has won the title once and twice reached the last eight. It will be fascinating to see whether the unpredictable Andre has retained Brad Gilbert as his coach. I believe Gilbert's methodical approach denies Agassi the spontaneity on which he thrives.

The lower half is equally interesting. After what Courier achieved last year, who is to say he could not go one better this time? Petr Korda is one who might, or rather should. But the Wimbledon form of this big-serving Czech left-hander has been consistently disappointing. Last year's advance to the fourth round is his best effort to date. Perhaps he will surprise us this time.

Another left-hander with a lethal serve could be Courier's next opponent. But Goran Ivanisevic, who so nearly won the title in that dramatic final against Agassi, is nothing if not unpredictable. Do not bank on him.

In the lowest quarter the two former champions from Germany, Boris Becker and Michael Stich, are cast as quarter-final opponents, as they were last year when they produced a gem of a match, won in five marvellous sets by Becker. Let us hope we are as lucky again.

However, Stich has the most dangerous floater of all in his section. The tall Dutchman, Richard Krajicek, fully recovered from injury, has just won on grass in Rosmalen and could beat anyone, as he has proved on a number of occasions. Martin (6) is in a different category. A method player, he is a delightfully normal, well-balanced individual who was a finalist in Australia last January. He loves the grass courts and last year beat Ivanisevic and Wheaton before going down to Courier.

Richard Krajicek, fully recovered from injury, could beat anyone

He will be better this time and his potential meeting with Agassi in the fourth round is a mouth-watering match indeed. Also defending a title is Steffi Graf. Just 25, the German is at the peak of her considerable powers. Steffi has won the title in five of the last six years and on a surface where no-one else excels she should have something in hand. Yet, as we saw in Paris, the unexpected does occur.

Mary Pierce is not likely to repeat that upset. For a start, in only her second tournament on grass, she lost to a 15-year-old Czech, Ludmilla Varmuzova, this week in the under-21 event at Eastbourne. Then her first opponent is Julie Halard, of France, who has played well on grass.

In the lower half Arantxa Sanchez Vicario, the only other player who has beaten Graf this year, has a difficult first match against the middle of the three Maleeva sisters, Katerina. Then it should be plain sailing to the semis and a meeting with nine-times champion Martina Navratilova. In her last appearance, the 37-year-old Czech-born American will be given an emotional farewell – whenever it occurs.

After seeing her loss to Meredith McGrath at Eastbourne this week, I fear it might be someone other than Vicario who will end the era.

Robert Sangster: merging decorously into the background, he is diffidence itself Allsport

Lunch with the FT

Trading his way to the winner's enclosure

Michael Thompson-Noel meets horse racing's Robert Sangster

At its highest level, horse racing is an amalgam of glamour, money, hope, elation and despair, with some madness thrown in. To succeed, you have to be rich, tough, lucky and fanatically determined: four of the qualities that have made Englishman Robert Sangster one of the world's most successful breeders and owners of racehorses this century.

He has made a flying start to the 1994 European racing season. Already, nine horses owned or bred by Sangster have won or been placed in European classic races. However, at Royal Ascot this week he was right out of luck.

He calls himself a horse trader. He jets far and wide from his tax-friendly Isle of Man base, supervising a bloodstock empire that stretches almost to the South Pole.

I asked this 58-year-old about his workload. "Well," he said, "in March I travelled on 20 different aeroplanes. I was in Dubai, Ireland, four states of Australia, New Zealand and the US, where I travelled extensively."

"So you're tough?"

"I guess I am. I saw the doctor this morning, and was given a clean bill of health."

"How about stress? What is it like to watch a horse you own on the brink of victory, or of a photo-finish defeat, in a top race like the English Derby or France's Prix de l'Arc de Triomphe?"

I asked this because I knew that in June 1977, when The Minstrel, owned by Sangster and some partners, was bullied by jockey Lester Piggott in the English Derby to win by a neck in a savagely dramatic finish, Sangster and his trainer, Vincent O'Brien, had been reduced to jelly. In the years since, Sangster must have watched hundreds of pulsating finishes in which much was at stake.

"Yes, it can be stressful," he replied. "At this year's Epsom Derby I was watching a TV screen as my horse, Colonel Collins, made his finishing burst, and someone slammed me on the back and shouted: 'Robert, you've done it!' By the time I'd picked my binoculars up, Erhaab [the 7-2 favourite] had charged past my horse and won. Yes ... something like that raises the old blood pressure." (Colonel Collins finished third).

I had arranged to meet Sangster at The Square, an elegantly contemporary restaurant in St James's, London. In the event, he asked if we could switch to Wiltons, a gamey, establishment joint in nearby Jermyn Street. We could talk for an hour, then join a lunch being held to celebrate the wines of Domaine Ott. Sangster has a house in that part of southern France.

I agreed. We chatted. Then we joined the all-male group that had gathered to enjoy lunch (crab, fish, raspberries) at Domaine Ott's expense. It was an amusing, powerful group. All were rich and sporty. Many owned racehorses. One of them at our table was a young Tory minister from the House of Lords. "Yes, my lord," the waiter kept saying. "Yes, my lord."

I could not work out what the group was *for*, so I asked one of its members, a City businessman. I said: "What is the common denominator?"

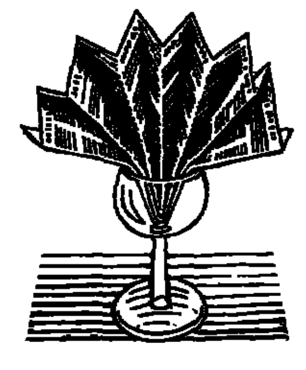
And he said: "Piss artists."

In company such as that, the quietly-spoken . Sangster merges decorously into the background. He is diffidence itself. He could be a bishop. If you passed him in the street you probably wouldn't notice him. But he is friendly and direct, and says that he enjoys the social side of racing.

"The people I deal with – trainers, jockeys, bloodstock agents, fellow owners – are all very good friends. At Royal Ascot, I and my wife entertain 30 different people to lunch on each of the four days, and I enjoy that."

The value of the horses that have passed through his hands easily exceeds $1bn. As a trader, he spreads his risks, and is always willing to buy and sell. Worldwide, his bloodstock holdings include a great many broodmares, yearlings – he keeps some and sells others – horses-in-training and shares (usually a 25 per cent stake) in about 20 top stallions.

For example, he owns 25 per cent of the Irish-based Sadler's Wells (stud fee: £125,000), which he describes as "probably the best racing stallion in the world". There are 40 shares in Sadler's Wells. The last



share to change hands did so for £500,000, says Sangster.

"You're a dealer," I said. "You buy and sell. Suppose I had £1m to spend. What would you sell me?"

The horse-trader smiled. He barely paused to think. "All right," he said. "At this point in the English season [June 9] I've had three two-year-old runners, and all three won their first races impressively. For £1m, I would probably advise you to take a one-third stake in each of them."

"Would that be good for you? You'd show a decent profit?"

"I would."

"Would it be good for *me*?"

"It would. There is a chance, I'd say, that one of them will win a classic; that the second will fare extremely well; and that the third – well, that might bang a knee tomorrow and never be heard from again. But at £1m for the three, you'd be all right. As the vendor, I'd want you to come back – to do business with me again. You'd be better off buying a £333,333 stake in those three than spending £1m at the sales in Kentucky."

(£1m does not go far in racing. All three of these creatures ran at Royal Ascot, and none won, though Helmsman was only narrowly beaten. One of them, General Monash, was injured).

"Do you bet?" I asked Sangster.

He was born to wealth, and is an expert on betting. He inherited Vernons Pools, a business that takes bets on soccer matches, before selling it to Ladbroke, and was involved in setting up large-scale lotteries in Australia and New York. He sold Vernons five years ago because, he says, he heard the authorities were considering a national lottery in Britain. They were: it starts in a few months, and is expected to knock pools-betting for six.

"Yes," he said, "if I go racing I'll have a bet for fun."

"What, to you, is a big bet?"

"A monkey: £500."

"You're successful?"

"I show a profit once in three years. I could make a profit every year, but I'd be very boring about it. I would probably only have five bets in the year, and only two would win, but I would show a great profit."

The speculative madness that infects the racing game in cycles can be gauged from the roller-coaster fluctuations in bloodstock prices, whether for yearlings sold at auction or for stallions being floated on the international market.

For instance, in 1984-85, when the racehorse market was in frenzy, Sangster's bloodstock empire was estimated, by accountants, to have been worth almost $350m. By 1992, values had crashed, and Sangster's empire had shrunk in value to $160m or so.

Values are recovering now. I asked the master horse-trader how his fortunes stood.

"It's difficult," he said. "Until you come to sell something – a horse or a painting – you don't know what it is worth. But the whole bloodstock industry today is reckoned to be worth a quarter of what it was worth in the early 1980s. In 1992, after an intense campaign to extract maximum value for him, I sold one of my horses, Rodrigo de Triano, to Japan for $6m, whereas 10 years previously I had sold Assert, a fairly similar sort – similar breeding, the same sort of racehorse – to Kentucky for $24m.

"If I was selling Rodrigo today, he'd probably be worth $10m. In the early 1980s, 50 yearlings would have been sold at international auction for $1m-plus each. Today, it is only eight or nine."

As a horse-trader, one of Sangster's attributes is memory-power. Others: shrewdness and competitiveness. And he still studies hard: still pores over racehorse pedigrees and other data.

If you were interested in the glam-mad world of international racing, you would be delighted by his company. If you knew nothing about racing, his stories would make your eyes pop.

Golf/Derek Lawrenson

Rivals become partners

Thirty years ago their rivalry was such that the American golfing public decreed it to be a clash between the good guy and the bad, with Arnold Palmer cast very much in the former role and "fat" Jack Nicklaus in the latter.

Of course, the sport's followers learned in time to shower an equal amount of affection on Nicklaus.

For a start, there is nothing that America likes more than a winner and no one ever won like the Golden Bear.

But it is only in recent times that their own personal differences have eased to the extent that they could kindle a friendship. Now, wherever there is a golf tournament, and in particular a major championship, the pair are often to be found in each other's company and they will always play at least one practice round together as partners. Perhaps they are making up for lost time.

Nicklaus, with the nice line in deprecation he has developed since his golf skills have diminished, puts it this way: "Thirty years ago we played a very competitive game against one another knowing that whoever won would invariably win the golf tournament as well. Now we play a very competitive game to see who avoids having the wooden spoon."

These days of grace are slowly coming to an end, though, or at least the public

It is as if Jack Nicklaus (left) cannot bear the thought of turning up at a major championship at which there is no Arnold Palmer

aspect of it. Palmer has already given up visiting Britain to play in the Open championship; and at Oakmont, Pennsylvania, on the eve of the US Open, he announced that this would also be his last appearance in the second of golf's four majors.

It is an appropriate place at which to take his leave. It was in 1942 that Harry Saxman decided that the 12-year-old Palmer, who was born just 10 miles away at Latrobe, had already acquired enough golfing skills to experience the glories of Oakmont.

By 1952, with Oakmont in the process of being split by the Philadelphia turnpike, then under construction – seven holes on one side of the road and 11 on the other – Palmer had already begun building bridges between the traditional game of golf and the modern.

Palmer was the sport's Elvis Presley; he introduced an element of dare and panache. Palmer respected all the game's codes and discipline but he tore up the unwritten laws about playing sensibly and carefully. Peter Thomson won one of his five Open titles by never using a driver off the tee.

Such an idea was anathema to Palmer. His idea of the game was to hit the ball as far as possible, find it, and hit it as far as possible again.

Even today, he is a superb driver of the ball. He can still hit it 250 yards. But there are vast areas of Palmer's game which betray the fact he is in his sunset years. His iron play is poor, his chipping mediocre and his putting downright awful.

What he has never lost is his enthusiasm for the sport. "There are days when I just can't do a damned thing right and that's hard for me to bear. But this game, it's my soul in a way and there will always be something during a round that will give me pleasure and start me back to thinking that I can still play the way I want to play."

At Oakmont on Wednesday, the fact that Palmer did not walk down the centre of the fairways had nothing to do with inaccuracy. He had to talk with his people.

They called him Mr Palmer and they applauded rather too loudly when his ball finished 40ft from the flag.

Nicklaus was playing poorly, too. He won the US Open here in 1962, defeating Palmer in an 18-hole play-off, and in 90 holes he had just one three-putt. In his final practice round – alone this time – he had seven.

Nicklaus has also recognised that the game which made his name has moved on. He has hinted that this could be his last US Open, too.

There were days when Nicklaus could not stand the sight of Palmer – the player with the looks, the style and the support of the crowd. Now it is as if he cannot bear the thought of turning up at a major championship without the man he has finally learned to call partner.

Cricket/Teresa McLean

Learning at Oxbridge

One could perhaps be forgiven for wondering whether Oxford University's outstanding success last year – 10 matches, two wins and eight draws in their first season undefeated since 1900 – was partly attributable to a revival of the sport-above-all tradition.

Seven of the 1st XI went to Keble, a college much more famous for its cricket, rugby and rowing than for its books when I was at Oxford in the late 1960s. And six of the team were graduates and experienced sportsmen.

But I was assured by Dr Simon Porter of Nuffield College, and hon treasurer of Oxford University Cricket Club, that brains are what matters.

"Brains are good for cricket," he said.

Mike Atherton today, and Mike Brearley in the 1960s, have both captained Cambridge and England, and both always give the impression that they have an idea in reserve while on the field.

So how valuable is captaincy? "It's crucial. Clever captains win matches. Ray Illingworth understands that; he did it himself. Away from university, I know, but I wouldn't be at all surprised if he works well with Atherton," said Porter.

Atherton is at once a modern and a traditional figure of Cambridge cricket – modern in that he worked hard and did well academically; traditional in his captaincy and batting skills.

In the past, cricket often mattered more than academic ability in retaining a place at Oxford or Cambridge. Ian Peebles kept a place at Braesenose College, Oxford, in 1929 because he was playing cricket well for Middlesex. Worried about his law prelim, he asked his tutor how he had done.

In his autobiography *A Spinner's Yarn* he describes the tutor's answer: "He eyed me with doleful countenance. 'You got 1 per cent in one subject,' he said 'But you were not quite so successful in the others.'"

Peebles was not sent down and took 13 Cambridge wickets with his leg-spinners in the 1930 Varsity Match.

Today, students work hard at both. "Some of our present chaps are exceptional. They do two or three hours work early in the morning, play cricket all day, then work two or three more hours in the evening. I admire that. It only works with a good coach [John Lenham of Kent] to keep them keen and well trained," says Porter.

Strong batting and fast fielding, including wicket-keeping, have always been undergraduate specialities, usually alongside uncertain bowling. I was not surprised that most county cricketers picked out the youth and fragility of university cricket as part of its appeal – probably because it can be plundered for cheap batting points.

But Oxford and Cambridge hold up their weaknesses in defence of their first-class status. "Young players get a chance to develop in another system besides the county system to help them learn the game," says Porter.

But the reality is that university cricket is seldom good enough to compete with county cricket. In 1878 Cambridge University beat the Australians and clearly had plenty to teach anyone who was interested. No one would expect Cambridge to beat Australia now.

Even so, Kim Barnett of Derbyshire was just one of several county captains who mentioned Cambridge and Oxford as good teaching places for county, as well as university, players.

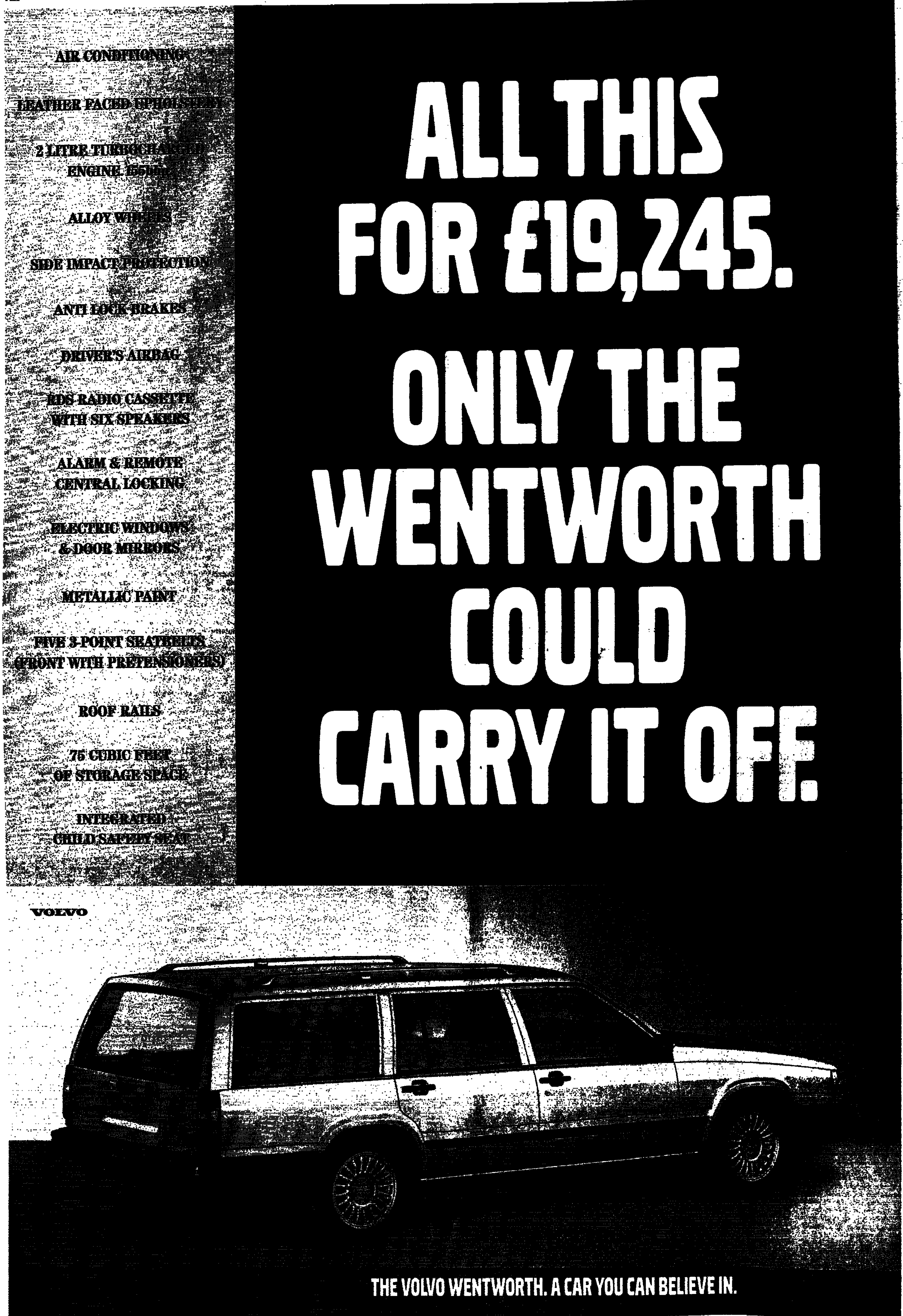
He explained: "We like to blood our younger and less experienced players against Cambridge. It gives them a first class game in a friendly atmosphere. An early fixture against Cambridge helps us to work up to full power for the season."

Oxford University v Cambridge University is the oldest first-class cricket fixture. First played in 1827, it has traditionally had an air of glamour and panache, like all cricket played by the two universities. This year's match take place at Lord's on June 29.

But there is a danger that Oxbridge cricket could fall short of first-class cricket, on the road to its own first-class extinction.

It is time Oxford and Cambridge helped their cricketers fight the cause of university cricket. Variety is the spice of life and a variety of cricket is the spice of a first-class summer.

Bring on the cricket-loving tutor, distributing practice as well as lecture timetables.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New lease of life for an old grape variety

***Jancis Robinson** considers the merits of Malbec when it is grown east of the Andes, in Argentina*

If ever there were an argument that every grape variety has its perfect place, then Mendoza Malbec is it. In the rest of the world Malbec is hardly one of the great grapes. Once widely grown in Bordeaux, it is now effectively known only in Cahors, where it is called Cot or Auxerrois, and generally turns out rather tough, charmless, essentially country wines – in spite of the millions of francs poured into Cahors by well-heeled Parisians and New Yorkers pursuing a vineyard hobby.

In the higher temperatures and richer soils of Mendoza, however, Argentina's main wine-making province just east of the Andes, Malbec seems to luxuriate. The wines it produces are lush, rich, heavily spiced and yet the best of them have enough acid and tannin to make them appetising bets for long term ageing.

Not that Malbec is at all revered in Argentina. It is one of the cheapest red grape varieties, commanding considerably less of a price than the more glamorous Merlot and Cabernet Sauvignon – perhaps because it sounds less obviously French, especially when spelt Malbeck, as it often is in Argentina. And in the vast domestic wine market (about the same size as the entire US), French names enjoy the greatest cachet, no matter how irrelevant.

Carcassonne, for example, is the curious name of a popular blend of Cabernet and Malbec, and its popular sister blend of Malbec, Merlot and Syrah is called Pont l'Evêque, a particularly smelly French cheese.

Malbec's ubiquity in Mendoza doubtless militates against its glorification. For long it was the most planted red wine grape (although a vine pull scheme has led to its being overtaken by a grape called Bonarda, which may be the same as *California's Charbono*).

Parts of Mendoza can be extremely hot, as witness the ancient plane trees which flank so many of the main roads, but Luján de Cuyo, to the south of Mendoza city (with Vistalba the highest sub-district), seems to offer perfect conditions for Malbec. At an altitude of about 900m (nearly as high as Switzerland's highest vineyard, for example), it can offer suitably cool nights even in late summer.

With unlimited sunshine and unlimited irrigation water from the Andes Mendoza has been one of the world's most productive wine factories since Spaniards and Italians settled here in the late 19th century.

Mendoza's major natural disadvantage is its minute annual rainfall of about 180mm (4¾in) – 500mm is generally considered a viticultural minimum without irrigation – of which about 150mm falls at harvest time, often in the devastating form of hail. Growers just have to reckon on sacrificing between 10 and 20 per cent of each year's crop.

Raul de la Motta of Weinert, "the small winery producing big wines" from carefully bought-in grapes, has made more than 50 vintages there and is one of the few Argentines to recognise that Malbec might be the Argentine wine industry's trump card.

"The whole world makes Cabernet, but with Malbec, our wines have distinction. Malbec ages very well here." He can demonstrate the gamey, wild animal smells of young Malbec as well as the mellower, richer characters of Malbec aged for more years than would be thought wise in France in the giant old oak vats that characterise this wine industry ripe for renovation.

Weinert believes in blending Malbec, which with Cabernet forms about a third of his delicious Cavas Weinert blend, exported to the UK and US, and most of the bargain-priced Carrascal for the domestic market.

In neighbouring Agrelo, Moët & Chandon has been experimenting with ageing Malbec (and Cabernet, and of course Chardonnay) in small French oak barriques, with aromatic, juicy, well structured results. They are launching these new-fangled varietals in Argentina under the name of the winery's first oenologist. Luckily, for marketing reasons, he was called Renaud Poirier rather than Reg Pratt.

A new Anglo-Saxon name on the Argentine wine map, however, is Peter Bright, the Portuguese-based Australian winemaker who has been cooking up some fine blends on behalf of the British supermarket Sainsbury's at Peñaflor/Trapiche, Argentina's biggest producer, also based in Mendoza. For long a champion of Portugal's rich heritage of native grape varieties, he was quick to see the potential of Malbec, and Bright Brothers' Malbec 1992 Las Palmas, available at £5.45 in 60 Sainsbury's, is worth seeking out.

Other forward-looking winemakers, who have discovered that Mendoza Malbec has an affinity with small oak barrels, include Alberto Arizu at Luigi Bosca, who is actively looking for importers for fine wines which include his 1991 Malbec from 40 year-old vines; Nieto & Senetiner/Valle de Vistalba/Santa Isabel (exported to Switzerland); and Bodega Norton, into which vast sums are being poured by the Swarovski family of Austria. But that is another, extremely promising, story.

■ *Sainsbury's Argentinian Malbec Cabernet is £3.49 and is even fuller than the older blend it replaces next week (other Trapiche wines are available from Grape Ideas of Oxford on 0865-791313). A few branches of Sainsbury's also stock Cavas de Weinert 1985 at £6.95, but John Armit Wines of London W11 (071-727 6846) has a wider range, including Carrascal 1985, at £94 a case. Berkmann Wine Cellars of London N17 (071-609 4711) imports Norton's fine wines, including a small quantity of an extraordinary, recently-bottled Malbec 1982.*

■ *Booths supermarkets, Bute Wines of Scotland (0700-502730), Christopher James of Exeter (0392-73894), La Vigneronne of London SW7 (071-589 6113) and Mayor Sworder of London SE11 (071-735 0385) stock Argentine wines from Navarro Correas of Maipu. Its Cabernet Sauvignon 1988 gives a great deal of full-blooded pleasure for about £8.50. The importer feels that Malbec is not a sufficiently well-known name to be worth importing.*

Cookery/**Philippa Davenport**

Count your free-range chickens

Many cooks struck veal and chicken off their menus when details of intensive – often cruel – production methods filtered through to the public. The resulting drop in sales led to farmers making extra efforts to grow meat more kindly and the results are becoming available more widely.

Genuine free-range chickens have been available for some time at good supermarkets and specialist butchers (although, alas, it is increasingly difficult to find a chicken complete with its giblets). More recently, whole free-range chickens have been joined on supermarket shelves by free-range chicken joints – packets of breast, thigh, drumstick or wing meat that are very handy indeed for quick and easy meals.

Veal produced by humane methods is also becoming easier to buy. The Quantock system, a more humane method of raising calves, is a definite step forward from the so-called New British Standard method and the intensive crate system. Fully free-range veal is rarer than the Quantock variety – but it is preferable and worth asking for. This is the meat of calves raised with their mothers and slaughtered at the weaning stage, rather than grown on as beef cattle.

Unlike intensively reared veal, which is anaemically white and fine-textured but almost tasteless, the free-range meat is pearly pink and tastes like very mild and sweet young beef.

SCALLOPINE AL BALSAMICO
(serves 4)

Veal sauced with Marsala was a favourite entrée of the late 1950s and early 1960s, and very good it was, too. I have replaced the fortified wine with balsamic vinegar to give the dish a new lease of life in the 1990s.

Ingredients: 1lb (or just under) escalopes of veal (or escalopes of pork); 1oz unsalted butter; 3-4 tablespoons balsamic vinegar; 4 tablespoons stock; 3-4 tablespoons thick cream (optional)

Method: Heat a large sauté pan until very hot. Add the butter and, when the butter foam dies down, sauté the veal in batches for 2-3 minutes on each side (or less if the meat has been beaten very thinly). Remove and keep hot.

Add the vinegar and stock to the pan. Scrape and swirl the mixture around, letting it bubble up and blend. Add the cream if using it, season to taste, and continue bubbling briefly to make a smooth, very savoury sauce.

Turn the heat right down. Return the meat to the pan, turning each slice as you add it to coat it with the sauce. When all are in, tip the contents of the pan on to a warmed serving dish. Wilted spinach scattered with toasted pine nuts goes well with this dish.

LEMON TARRAGON CHICKEN WITH COURGETTES
(serves 4)

Ingredients: 4 small boned and skinned chicken breasts weighing 3½-4oz each; 1¼lb courgettes; 2oz unsalted butter; 2 tablespoons lemon juice; 2 slightly heaped teaspoons chopped fresh tarragon.

Method: Separate the small fillets from the chicken breasts. Then, slice the main part of each breast in two to make two thinner slices. Cut the courgettes into batons.

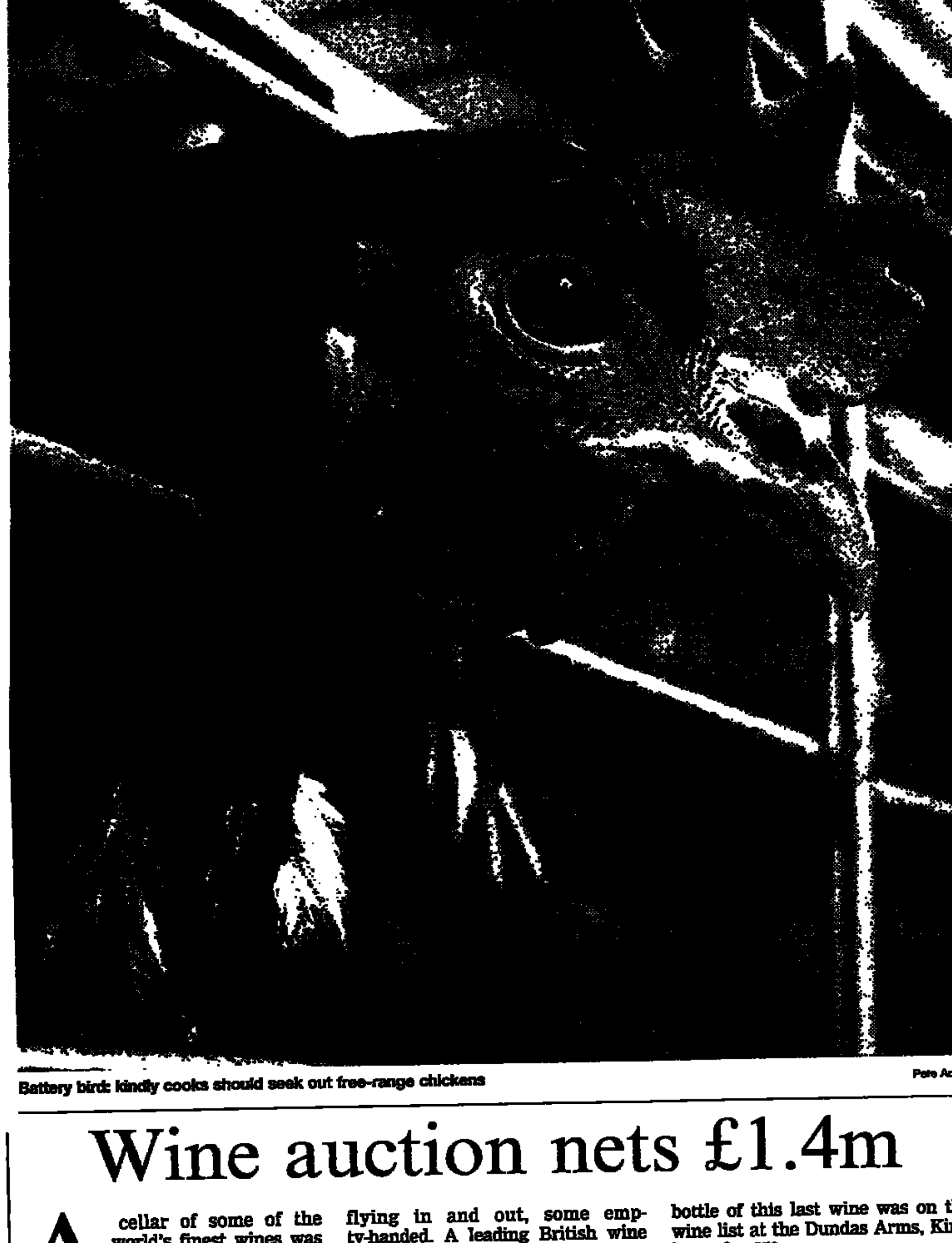
Heat a large sauté pan until very hot. Add a little of the butter and, when the butter foam dies down, fry the courgettes until streaked with gold and just cooked through. Remove and keep hot.

Add a little more butter to the pan and sauté the chicken a few slices at a time until gilded without and tender within. Remove and keep hot.

Add the rest of the butter, the lemon juice and a teaspoon or two of water to the pan. Scrape, swirl, let the mixture bubble up, and season with salt, pepper and tarragon.

Turn off the heat but leave the pan where it is. Slip the chicken quickly into the pan and turn the slices to coat them with the fragrant, buttery juices.

Lay the meat on a warmed serving dish, tip the courgettes into the pan, and toss to anoint them with the remains of the sauce. Arrange the vegetables alongside the chicken and serve with new potatoes or basmati rice.



Battery bird: kindly cooks should seek out free-range chickens

Pere Addis

Wine auction nets £1.4m

A cellar of some of the world's finest wines was auctioned in London this week for a total of £1.4m.

It took place at Christie's on Thursday and, with the auctioneers holding 320 different commission bids before the first of the three auctions started, bidding was always likely to exceed the already high reserves. Prices for the younger wines were considerably in excess of current retail levels.

Most wines were bought by private buyers with representatives of the American, Swiss, German, French and Hong Kong wine trade flying in and out, some empty-handed. A leading British wine merchant, prepared to spend up to £500,000, came away with two cases and calculated that the British wine trade bought less than 1 per cent.

A private British bidder spent more than £500,000 on rare bottles, including the first of two "super-lots" for £340,000 (estimate £200,000).

Other record-breaking prices were: a case of Cheval Blanc 1947 at £18,000 (estimate £4,500); Haut Brion 1961 at £6,200 (£1,200); Gruaud-Larose 1961 for £2,400 (£1,800) and a case of the rare Pomerol Le Pin 1982 for £3,300 (£2,000). Until recently a bottle of this last wine was on the wine list at the Dundas Arms, Kintbury, for £50.

At Sotheby's on Wednesday three Nebuchadnezzars (20 bottles-worth each) of Château Mouton Rothschild, 1975, 1982 and 1990, were sold to a Japanese buyer for £36,300 – seven times the estimate. Some 32 other lots of Mouton raised £89,375: the first jeroboam (six bottles) of Chapoutier's Ermitage Le Pavillon 1990 sold for £572 and bottles of the Salon champagne 1979, 1976 and 1974 reached £286-£330 each.

Nicholas Lander

Appetisers

Ch Climens – drinking well

Château Climens of Barsac has an average production of 4,000 cases and is, in quantity, eighth of the 12 first-growth Sauternes, but is second in quality only to Yquem.

Past vintages are hard to find in the UK but recently Threshers held a vertical tasting of 10 vintages from 1991 back to 1980, with the 1976 served at the following lunch. In spite of variations, all were very drinkable.

1991 – light golden colour, rich nose, already fairly well developed flavour.

1990 – less colour, less aroma and taste very closed, but with fine prospects for the future.

1989 – lighter in colour than the '90, but more mature, botrytis (noble rot)(noble rot) on the nose and flavour. A typical fine Sauternes.

1988 – the first of three acclaimed Sauternes vintages, it was more backward than the '89, with medium gold colours, restrained aroma, good currently, not exceptional.

1986 – one of Sauternes' finest years. Good but not too deep colour, very rich nose and botrytis flavour, fine balance, and long in the mouth.

1985 – lacking botrytis in a very dry year, but a charming, appealing flavour. Perhaps at its best.

1983 – the first top vintage of the decade, luscious and rich, similar to the '66.

1982 – difficult to taste after the '83. Fair, agreeable drinking, but lacking length and character, paralleling the exceptional reds.

1981 – better than '82, agreeable drinking, but lacks character and botrytis at best now.

1980 – very deep colour, lacks balance of acidity and so rather heavy on the palate. The '76 at the lunch had medium gold colour, a very distinguished bouquet, and luscious, complete flavour, the best vintage until '83.

Threshers lists the 1991 at £21.99 a bottle. Bottoms-Up offers a case of six single bottles, the '91,'89,'85,'82,'81 and '80, for £180.

Edmund Penning-Rowsell

■ Seventeen privately-owned Pride of Britain hotels, including Michael's Nook in the Lake District, Calcot Manor in the Cotswolds, and the Elizabethan Whitechapel Manor in North Devon, have dreamt up an appealing offer for July and August this year. For £75 per person per night, they offer de luxe twin or double accommodation plus dinner, breakfast, and a bottle of Piper Heidsieck on arrival. The only stipulation is that the stay must be for at least two nights.

Jancis Robinson

■ Three new(ish) eating out guides to look for. The first is Richard and Peter Harden's clever adaptation of their exhaustive restaurant data bank, *Good Cheap Eats in London*, which includes 400 entries, maps and lists and costs £3.95.

The second, for the computer literate, is the software application of *Time Out's* guide to run on Apple Computer's Newton MessagePad. It includes 700 London restaurants, costs £54.95 plus VAT, and is available from Dixons, Ryman and John Lewis.

Finally, Maureen B Fant, an American who has lived in Rome for the past 15 years, has just produced a comprehensive guide to eating there entitled *Eat like the Romans* (110 pages, £5.95 plus p&p) available in the UK from Great Wen Publications, PO Box 1500, London SW5 0DX, fax 071-370 4459.

Nicholas Lander

■ In London, twin brothers Mark and Max Renzland have moved again and, although Le Petit Max remains in Hampton Wick (081-977 0236), they have resusitated Chez Max at 168 Ifield Road, London SW10 9AF (071-835 0874). Open lunch and dinner with a set dinner menu at £19.50. *NL*

■ Two new West End eating places with user-friendly hours include the Atlantic Bar and Grill, 20 Glasshouse Street, W1 (071-734 4888), which is now open Monday-Saturday noon to 3am and Sunday 11am-4pm. And at 245 Shaftesbury Avenue, WC2, a restaurant called Alfred is open Monday-Saturday 12-4pm and 6pm-11.45pm (071-240 2566). *NL*

■ Canadian expatriates might like to celebrate Canada Day, on July 1, at London's Savoy Hotel, where chef David Sharland will be including Canadian lobsters on a special menu. First courses will be £7.50 each and main courses £13.25. The Canadian theme at the hotel will be running until July 9. (071-836 4343, fax: 240 6040). *Jill James*

■ When she was at Books for Cooks in Notting Hill Gate, west London, Clarissa Dickson Wright was a godsend for any London writer seeking help, corroboration or advice on a recipe. Now she has opened Global Gourmets to market and deal in cookery books worldwide at 43 Argyle Place, Edinburgh EH9 1JT. Tel: 031-221 1101, fax 031-229 4747. *NL*

Motoring/**Stuart Marshall**

The eight-seater that acts like a car

Peugeot's new people-carrier, the 806, is just 2in (5cm) longer than a 405 estate and a full 18in (45cm) shorter than the old 505, a jumbo-sized estate regarded highly by parents of three or more children. They know only too well that to travel legally, safely and comfortably *en famille* with luggage, you need three rows of forward-facing seats and a reasonable boot.

Cars with these are few and far between. The 505 and the equally spacious Citroën CX went long ago, although Renault still has the three-row 21 Savanna estate. Otherwise, it has to be a multi-purpose vehicle (MPV) such as the Toyota Previa, Renault Espace, Nissan Serena or, if you live on mainland Europe, Chrysler Voyager.

The same criticism applies to conventional estate cars (Volvo, Mercedes-Benz, Rover Montego, for example) having a pair of child seats that pull up from the load floor. These face backward and children tend not to like them for anything but short trips. Parents worry about their vulnerability to rear-end collisions – with good reason, I would think – and luggage space disappears.

For 10 years, the Renault Espace has been Europe's best-selling MPV. Arguably, it is still the most stylish, but this week it come under assault. Peugeot's 806 "monospace" MPV, which has up to eight seats, went on sale in France priced between FFr139,000 (about £15,850) and FFr202,000 (£24,630). That is FFr5,000 to FFr7,000 (say £610 to £850) cheaper than a comparable Espace.

The 806 – and its soon-to-appear Citroën, Fiat and Lancia clones – has been a joint PSA (Peugeot-Citroën) and Fiat project because neither group could have afforded to go it alone. For the same reason, Ford and Volkswagen have got together to produce their own MPV, due for launch in 1995.

At the moment, the 806 is offered only with 16-valve two-litre petrol engines, one of them turbo-charged, although a diesel follows soon (and, perhaps, a V6 later on).

Unfortunately for British families, 806s with right-hand steering are at least a year off although a few left-hand drives will be available before then.

Holiday-home owners who spend a lot of time driving on mainland Europe might well fancy one.

The 806 has a well thought-out interior offering a family freedom of movement. There are two normal front doors, two large sliding ones for the middle and back row passengers, and a large tailgate. The seats can be moved around or taken out as needed.

Getting in and out is particularly easy. The floor is flat, the gear lever sprouts from the fascia, and the hand-brake is tucked away between the driving seat and door. A high seat gives the driver an unusually commanding view of the road.

This apart, an 806 goes just like a car. Trying both models in France last week, I found them unperturbed by rough surfaces, nimble on curving, hilly lanes, and pleasantly quiet at autoroute cruising speeds.

The 150-horsepower turbo-charged version was particularly lively and pulled like a train up gradients. The 123hp non-turbo engine was muscular enough driving two-up, although I suspect it might have to work fairly hard when propelling an 806 crammed with people and baggage.

The ride was as good in the middle and back-row seats as it was up front with generous leg, knee, head and elbow room. Standard power steering and large exterior mirrors made parking this roomy, but far from bulky, car very easy.

A hard-driven MPV will always use more fuel than a sleeker, more slippery saloon but a sensibly-driven, non-turbo 806 should average 28mpg (10 l/100km) and the turbo 27mph (10.46 l/100km).

While in France, I also tried the latest versions of Peugeot's big luxury car, the 605. This has had a modest, mid-life face-lift and has been given two new engines: a two-litre, multi-valve, petrol four-cylinder and a 2.5-litre turbo-diesel with two balance shafts.

The 605 has not made much of a mark in Britain, one possible reason being that it is easy to confuse with the cheaper and less prestigious 405. But it is an urbane and very comfortable car with a superb ride and an enormous boot. I thought the two-litre went well but the turbo-diesel was better; higher gearing made it quieter and more relaxed on the autoroute.

Alas, the ultra-refined, 130hp, 2.5-litre turbo-diesel 605 will not come to Britain. Executive-class car drivers in France do not mind manual gearboxes, but most in the UK insist on automatics – and Peugeot does not have one that can cope with the 2.5's huge torque (pulling power at a given engine speed).

The Peugeot 806: a well thought-out interior offering a family freedom of movement

Roller-blading hits town

Lucia van der Post on a fast-growing activity that provides fun, exercise and transport

Forget the gentle swish of leather on willow or thwack of tennis ball and racket. The new sound in the parks this summer is the whoosh of roller-blades on tarmac.

Roller-blading has hit London in a big way – and it is not just the teenage set that has taken it up.

Roller-blading started in Minnesota in the early 1980s as a means of honing ice-skating skills during the summer. Then people besides sportsmen realised it was fun and it became a more general activity.

In the UK it is just beginning to take off, whereas in New York roller-bladers are everywhere. "In New York it is a new form of public transportation," says Eric Reguly, London correspondent of the Canadian Financial Post and once an ice-skating star. "It is also culturally acceptable – in most stores in New York you can go into a store on your roller-blades; you could go to the most expensive restaurant and nobody would look at you twice. Executives roller-blading to work in their Armani suits are a common sight."

Eric himself roller-blades in the parks in London but is more nervous of roller-blading to work because of the traffic. "In New York they are not confined to the parks: they can be seen all over the streets and New York drivers, having become used to the many bicycle couriers, seemed to have no trouble adapting to roller-bladers. People do it for fun, for exercise and for transport."

He started in his early thirties having resisted it initially "because I thought I was too old for it but my doctor recommended that I took it up for my back – it's great for your muscles and is good aerobic exercise without damaging joints. Many runners and joggers who have been told to stop running because of the damage it was doing their joints have taken it up."

It is not difficult to learn and anybody who already knows how to ice-skate should pick it up very quickly. The main problem seems to involve stopping: ice-skating has techniques for stopping; but there is no emergency stop for roller-bladers – only diving on to the nearest grass, or making a couple of 360-degree turns, or doing a T-stop (but that wrecks the wheels).

Lessons are available for those who do not know how to ice-skate. In London, Road Runner, Unit 002, Lancaster Road, (c/o 253, Portobello Road, London W11. Tel: 071-792 0584) will organise lessons at £10 an hour and hire out roller-blades at £8 a day. According to Road Runner, most people need 1-1¼ hours before they are ready to take to the parks.

The activity is refreshingly free of any cult clothing. According to Road Runner "baggy shorts, bright colours (we're a lot less cultish and much jollier than the skate-boarding crowd), and loose tops" are all you need to wear – apart from the equipment.

Road Runner says it supplies gear to all ages – from children so tiny they can hardly see over the counter, to the "gold card" set, well over retirement age. "Lots of middle-aged people love it because it is low-impact exercise and much more fun than aerobics. This year we're also getting lots of the City crowd – people who work in merchant banks and love skiing in the winter are taking to roller-blading in the summer," says Road Runner.

The most common injury is a broken wrist and wrist-guards should be worn at all times, while knee and elbow guards are advisable as well. Bicycle-style helmets are a further precaution.

Weekend FT sent Carmel Allen, old enough to see over the counter but a long way off bus-pass age, to have a go. She loved it: "I'd just come back from New York where I'd seen people having great fun roller-blading at the open-air disco in Central Park. I was full of enthusiasm but a bit apprehensive and worried about losing a tooth or grazing my face. So I wanted to take lessons.

"Road Runner provided the inestimable Sven whom I had to meet at the kiosk in Kensington Gardens. I knew it had to be him when I saw this pony-tailed blond doing some very fancy footwork just by the kiosk. He was sweet as pie.

"The first thing I wanted to know was how to stop – once I could do that I was ready for my turns. Two hours whizzed by and by the end I was able to skate off, waving good-bye, into Kensington High Street. I had one dramatic fall when I put my weight back and fell slap on my bottom. Now I feel ready to experiment further on my own.

"The thing I like about it is that it is such a happy sport. People smile when they roller-blade. When I used to go to the gym it was much more competitive. In the park everybody was encouraging me and clapping if I managed a difficult turn. And since friends have heard that I have taken it up I have had at least four roller-blading invitations."

Most good sports shops sell roller-blades – a good pair will cost anything from £85 to about £200. Wrist-guards and elbow guards cost between £15 and £20 and knee guards are about £20. As for the boots, the wheels and bearings are what really matter technically – and if you decide you like the sport you can upgrade them later on.

Road Runner also has a branch at 127 Queen's Road, Brighton, BN1 3WB (0273-774266). Many other sports shops supplying roller-blades might be able to provide a teacher.

Carmel Allen trying out her new-found sport, flanked by Italian bankers Aldo Mordiglia (on the left) and Alessandro Costa

Lydia van der Meer

For those who serve . . .

Lucia van der Post on what to wear for tennis

There are those who still care about what they wear when playing sports such as tennis. Tennis wear for chaps has remained reassuringly much the same throughout the years with the only real change being a welcome trend to longer, baggier shorts and looser shirts (if in doubt buy a size or two up).

For women, though, it has been hard in recent seasons to find much that looked tolerably feminine and yet fulfilled the practical briefs. Strictly tailored little skirts with rather butch shirts have become the standard wear, whether on rickety public courts or Centre Court at Wimbledon.

Anybody wondering what happened to the sweet little tennis dresses of yesteryear (the sort that Chris Evert and Tracy Austin used to wear, remember?) might like to know that this year, soft dresses are back on the agenda.

Ellesse, for instance, has created a series of long-bodied, low-necked dresses with skirts which twirl prettily as you serve and run and which would look equally good at the club bar afterwards. In white, with a canary yellow skirt, in cotton and lycra, it is £110 from good sports-wear shops including Lillywhites.

Another name to look out for is Belfé, better known for its excellent ski-wear – like many a winter sports orientated company it needs to fill in the income gap in the summer and this it does with some very beguiling tennis-wear.

There is a sleeveless dress made from soft white cotton with a pink or blue and white gingham skirt. £59 from Harrods Olympic Way.

Finally, if dresses are what you are looking for, there is Desrosiers, a British company which has also decided that this is the year to go a little bit more feminine. In particular there is a cap-sleeved, drop-waisted version with a pleated skirt edged with a floral band for £55. Also from Harrods Olympic Way.

Dresses are back – this one is by Ellesse

Little black swimsuit

Lucia van der Post on flattering swimwear designs

When it comes to swimwear there is a beach version of the little black dress – the beautifully cut all-in-one black swimsuit. The perfectly plain black (or navy) swimsuit is what one reaches for on all those occasions when one's stomach is feeling less than flat, one's thighs seem a strange shade of white and one wishes one had embarked on some . . . any . . . kind of diet at least three months ago.

In other words, bikinis or supportless 1920s high fashion numbers are for those whose morale in the figure department is sky-high.

But there is a half-way house between maximum coverage and high-fashion – and that is Sam de Teran. I wrote about her two years ago when her first swimwear collection caused, if not a storm, at least a little flurry in the niche world of swimwear. Today, she is copied by everybody from our biggest chain stores to some very upmarket houses indeed.

Her trademarks are classic sober colours (navy, black, cream), skilful cut (she believes that little legs or skirts on swimsuits are more flattering to the average thigh than all those vulgar high cut-aways) and dramatic cut-outs on the body.

This year sees a new collection which homes in on what she does best – lots of support (she uses a nylon/lycra fabric which, while heavier than cotton, also offers more support), dramatic simple shapes and flattering lines. She has added more little skirts as they proved so popular and so universally flattering, and includes one number which can be worn straight from the sea to a restaurant, so demure is its little skirt.

Her prices are not cheap but then for the little black dress of the beachwear world, it is possibly worth paying for better cut, better fabric and a bit of pizazz as well.

Her prices range from £45 to £110 and the range can be found in Fenwick of Bond Street, London W1; Way In and First Floor at Harrods; Lisa Sterling in Manchester; Dickins & Jones in London; Kendal Milne in Manchester; and Frasers of Glasgow.

Updated 1920s style by Samantha de Teran

■ Lest the chaps feel left out, Samantha de Teran has a streamlined collection for men – mostly in black and cream. With lots of bold (and flattering) stripes they sell at about £60 each and for the moment can only be bought from Bodyworks, 40 King's Road, London SW3.

FT Ski Expedition/Arnie Wilson

A flight from the slopes

Arnie Wilson and Lucy Dicker are trying to ski every day of 1994 on a round-the-world expedition. This week they moved from Europe to North America on their way to Chile.

In her hooded white jacket and white jeans, Lucy looked like something out of Colorado's 10th Mountain Division, the war-time unit of American troops trained to fight on skis, as we set off on a misty dawn to ski a hillside at Hintertux, Austria.

Not bothering to change into our ski suits for just one run, we drove to the nearest snow-covered fields, tried to avoid the gentians and hoped the local farmer would not spot us.

Once again we were skiing at an unearthly hour in order to leave ourselves enough time to reach a distant airport before an inter-continental flight.

Frankfurt was 350 miles away, and our Air New Zealand flight to Los Angeles was due to take off that afternoon. If we had waited for the lifts to open and gone up to the glacier, we might not have made it.

The skiing at Hintertux, the best of the Austrian glacier areas, had been so outstanding that we were tempted to lengthen our stay: we made fresh tracks in powder all morning.

■ Earlier, at Saas Fee in Switzerland, we were rescued by the ski school director, Heinrich Kalbermatten, who arranged a ride on a snow cat for us when the summer skiing area was forced to close because of snow and high winds. Our driver, Urs Niederer, drove us like a tank commander in a white-out to a point on the glacier from which we could ski our obligatory mile.

■ Now in California, our traditional landfall between continents, we drove all night across the Mojave Desert to Mammoth Mountain, passing Edwards Airforce Base, where most of the Space Shuttles land. It reminded us that Fran Newitt, our expedition co-ordinator based in Kent in England, has started referring to us as her "time travellers".

Faced with an itinerary which grows more complex by the day, she has been gamely trying to keep us on course. But even she sometimes has to draw breath. Her last message to us included the memorable sentiment: "I'm sure there's a way round all these problems – if only I could think what it is."

At Mammoth, Ivan Russell had horses, Jeeps and snowmobiles standing by to help us get to the snow while the gondola was closed for maintenance.

Our daily outing on skis has been down Scotty's, named after a skier killed on this trail by an avalanche in 1968. We pass a monument to him every time we ski his run. We hope he would have wished us well.

Simply made to measure ...perfectly

***Linda Watson** opts for bespoke tailoring when a good fit is hard to find*

Call me old-fashioned, but I like fashion that fits. I like shoulders to flatter, the sleeves to skim my wrists, the waist to meet mine. All I ask of a jacket is that it allows me to stretch, bend, and cross my arms without fear of asphyxiation or the buttons flying off.

Maybe I am asking too much: at a mere 5ft, I am a size 10 across the shoulders, a 12 across the bust, a 14 around the hips. As a result of this odd – but not rare – anatomical equation the past five years have been spent in pursuit of the perfect jacket.

There comes a point in every woman's life when she must concede defeat: in the eyes of the fashion industry Ms Average is around 5ft 6in, with a beanpole physique. Although an alarming 47 per cent of Britain's female population is size 16 or over, it is not simply a question of weight – but the distribution of it – which causes headaches for high street retailers.

Millions of individual nuances in height and shape are the root cause of our clothes not fitting properly. To some extent this is catered for in specialist sub-sections, namely the outsize, the tall, and the petite. But what happens when a few of these categories merge? Pity the small curvy woman, the tall outsize shape or anyone else who does not fall neatly into mass market statistics.

Ironically, for all the technological advances in clothing-manufacturing, around 50 years ago this problem did not exist. Firstly, I would have been in the majority (Ms Average circa 1940 was shorter and curvier – no wonder original utility jackets have always fitted me like a dream), but more importantly this was the era before mass manufacturing. When people were not making their own clothes, they bought made-to-measure.

Today there seems to be a psychological barrier against made-to-measure. For many, the art of choosing clothes is frequently squeezed in hastily during a busy day's appointments.

Lycra has a lot to answer for. How many women, I wonder, are regularly purchasing leggings or stretch velour trousers (easy to wash and just as easy to wear) instead of the tailored ones?

But elasticated fabrics and frenetic lifestyles cannot be solely to blame. Harry Sargeant, one of the shrinking number of bespoke tailors and a member of the Federation of Merchant Tailors, says: "We've become incredibly lazy about the way we dress. It isn't enough just to be willing to spend more, you must take a keen interest in your figure, have a feel for fabrics and know what clothes can actually do for you. A certain amount of imagination is required."

But it is not just jackets which are a problem – it can apply to any clothing item which requires an element of fit.

To be fair, the high street retailer has met us half way. In-store alterations are more widespread than ever. But these can only go so far. Any nips and tucks carried out at the point of sale only tackle basic discrepancies – shortening or lengthening sleeves, narrowing or extending a shoulderline. What they will not do is change the structure – re-align a waist point, re-cut a sleevo, reshape a collar.

Contrary to popular belief, bespoke tailoring is not a no-go area for women. While any tailor will tell you men make up the majority of their business, many have a small percentage of female clients. Women often assume that custom-made clothing means outlandish prices. In fact, it often costs much the same as up-market, off-the-peg labels. A pure wool coat (with a small percentage of cashmere) at Jaeger, for example, will cost around £400. A bespoke tailor (not on Savile Row) will charge you around £350. Even a top-of-the-range ladies cashmere overcoat, from Huntsman of Savile Row, is £2,836. Its mass-produced counterpart averages between £1,000 and £2,000.

Although tailors work on a one-to-one basis – effectively cutting out the middleman and the usual 100 per cent mark up – their profit margin is minimal. You therefore get more for your money. Custom-made clothes last longer: partly because the quality of cloth is superior, but also the personal touches – hand finishes, hand pressing and hand stitching – cannot be simulated on a production line.

Even when the garment is worn out, the original pattern will be on hand to make an identical copy. During its life-span, a coat can be regularly re-lined and repaired. Seams (particularly with traditional bespoke-wear) are generous enough to be easily taken in or out to accommodate fluctuating weight.

But most impressive of all, knowing Ms Average does not exist, tailors are trained to take individual posture into consideration.

It is best to try a personal recommendation first and, when it comes to traditional tailoring, look for a tailor who is a member of the industry's governing body, the Federation of Merchant Tailors.

The procedure is straightforward: at blueprint stage in buying a jacket, for instance, a few questions will be asked: Will you be wearing it in the country? Do you prefer thinner or thicker cloth? Do you intend to wear it with trousers or a skirt? Two prices will probably be quoted – one with, and one without the fabric (in which case the customer provides it).

Price decided, you pay approximately one third of the total price, the rest to be paid on completion. One, possibly two fittings follow before the garment is finished.

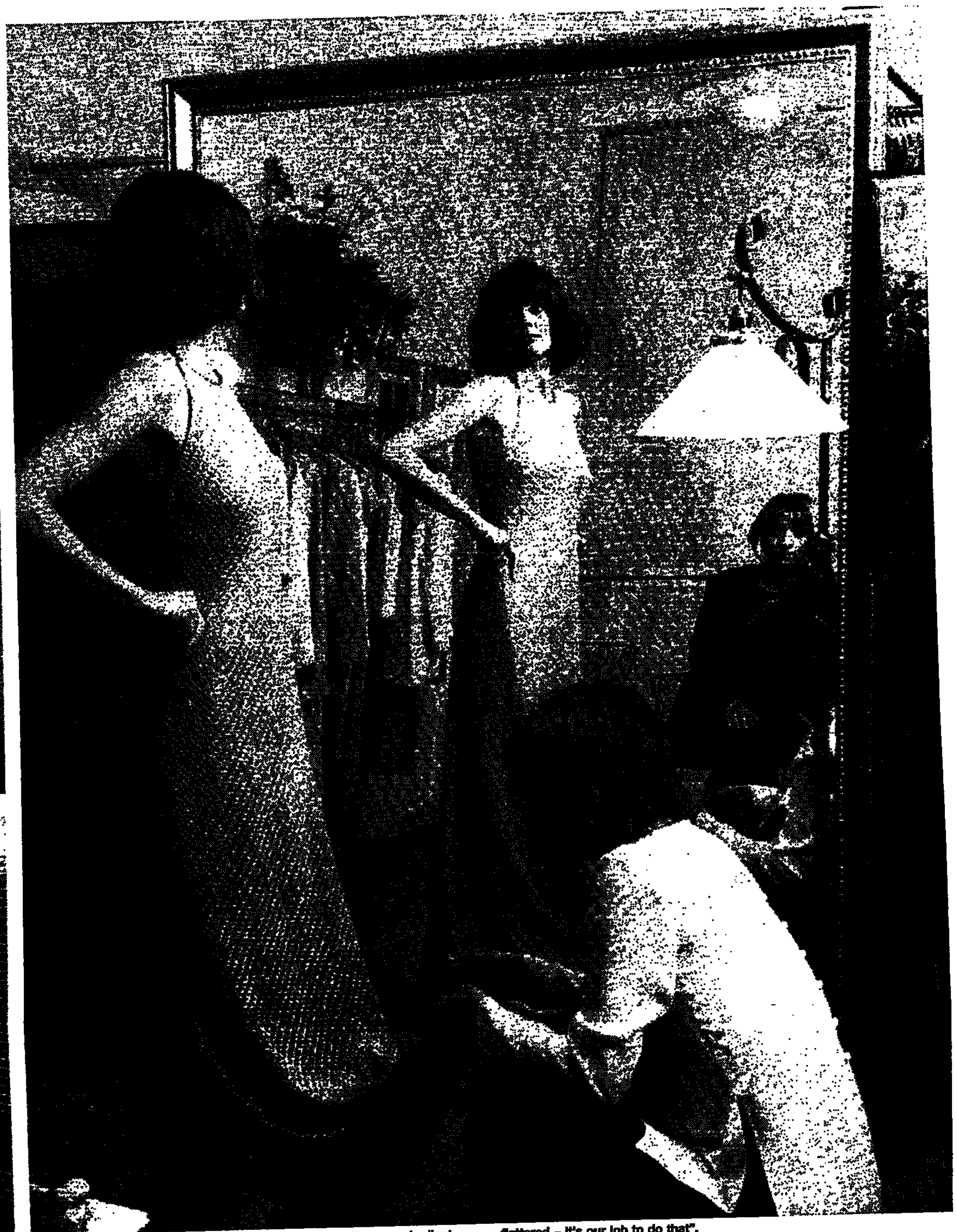
In total, you will have to wait at least three to four weeks for your made-to-measure jacket.

If this seems an eternity, you could buy off-the-peg and wait around 10 days for any alterations. Alternatively you could spend the next five years looking for perfection. No contest: I am off to the tailor's tomorrow.

ABOVE: Yvonne Sporre, former model, stylist and partner of Koji Tatsuno, always has her jackets and coats made-to-measure by Tatsuno's tailor, Trieo. She says: "I like strange colour combinations, secret pockets, and lots of texture. Most of my jackets are about six years old and I have worn them so much the linings are falling apart and ready to replace."

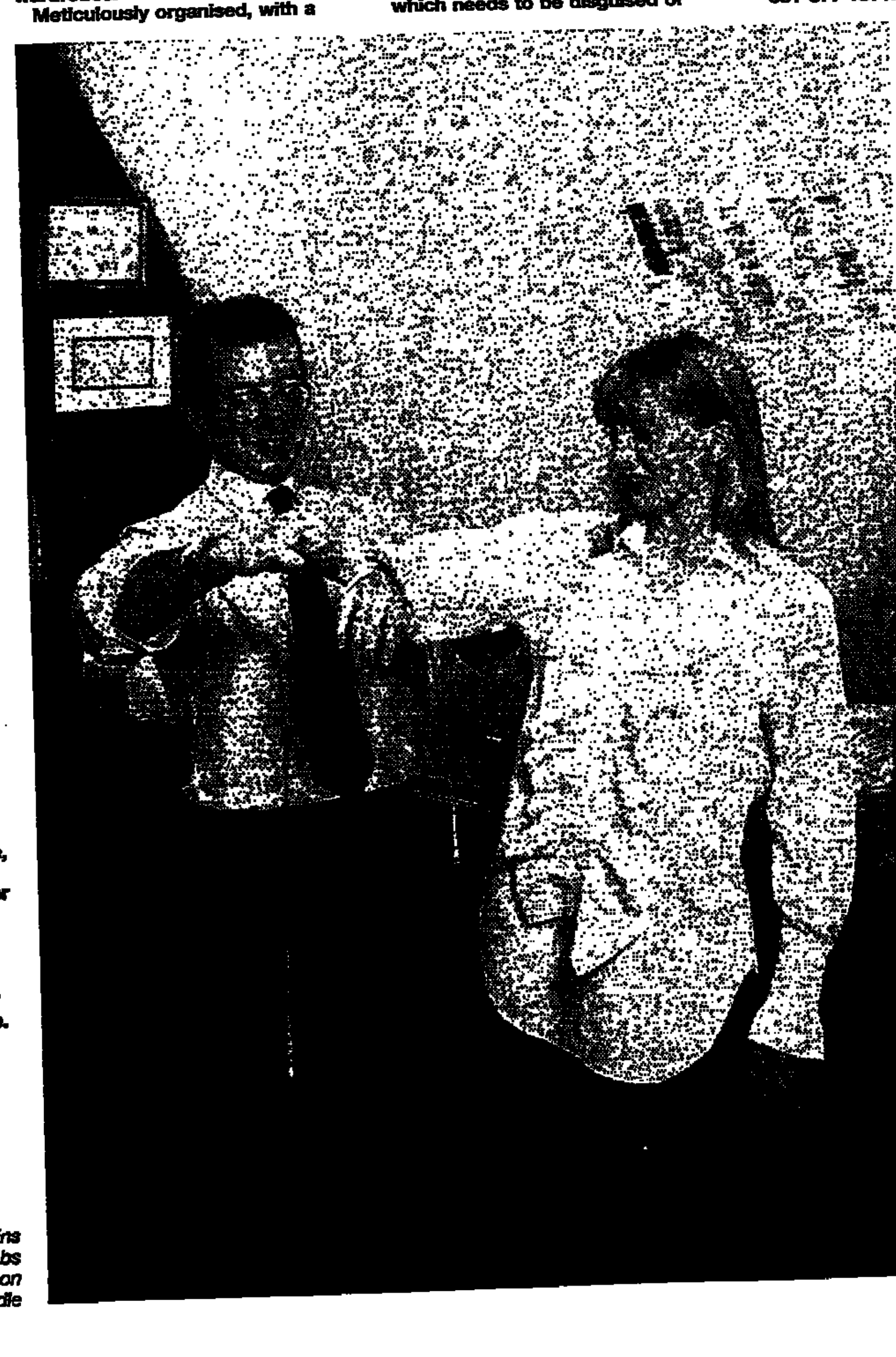
Prices vary depending on the fabric used (Tatsuno often uses unique antique brocades and silks bought on his travels but an average jacket will set you back around £800.

■ Tel: 081-674 1703.



Antonia Robinson and Anna Valentine, collectively known as Robinson Valentine, have developed a niche market for made-to-measure wardrobes.

Meticulously organised, with a computerised file on each client containing their measurements, Robinson Valentine is a magnet for all ages and shapes. Says Anna Valentine: "Everyone has something which needs to be disguised or flattered – it's our job to do that". Prices start at: jackets, £425; trousers, £220; dresses, £800; coats, £750. Robinson Valentine, 4 Tonsley Place, London SW18 1PQ. Tel: 081-877 1571.



RIGHT: Rosie Martin, a fashion writer with *Vogue*, decided to have her shirt custom-made at City shirtmakers Webster Brothers because she could not get exactly what she wanted off-the-peg.

Martin Levitt, the company's expert shirtmaker, says the trend is catching: "More and more, women are coming to us, particularly those with longer than average arms."

A Webster Brothers shirt, always made in two-fold cotton poplin, costs around £90 and takes between four to seven weeks to complete.

■ Webster Brothers, 56-57 Cornhill, London EC3V 3VV. Tel: 071- 626 5838.

Photography .... Tim Jenkins
Hair .... Robert Gibbs at Daniel Hersheson
Make-up ....Karen Beadle

TRAVEL

A cold night with a camel

Mark Hodson sleeps under the stars in north-west India

Our drivers insisted that the opium was for medicinal purposes. The two men were squatting round a camp fire built out of dried camel dung. Darkness was falling over the desert and the cold night closing in. One man crumbled off part of a block of unrefined opium, placed it on his tongue and slurped it down with tea. "Just to keep me warm for sleeping," he said.

It was getting chilly. At midday, the Thar desert in north-western India can feel like the hottest place on earth. But half-an-hour after the sun set, turning the sky ruby and gold, we were pulling on sweaters and huddling round the flames.

A friend and I had hired camels and drivers from a local village chief and we rode for three days while our brains were cooked and our kidneys ground to a pulp by the constant rocking motion.

The drivers were Rajput men from small villages dotted near the border with Pakistan. Under bright turbans their skin was dark and their eyes bright. They wore patterned slippers and handlebar moustaches and when they grinned they revealed rows of gleaming teeth. One kept us entertained by singing and chatting incessantly; the other, assigned to me, did not utter a word in three days.

Around the camp fire the talkative driver, named Isra, banged out rhythms on an empty plastic water bottle as his friend prepared dinner. There was vegetable masala, dahl and unleavened bread baked in sand beneath the fire.

The camels rested nearby, neither sleeping nor lying down, just kneeling in the sand, their front legs tethered. We opened a bottle of hooch bought in one of the villages. It was a kind of murky rum made from sugar cane and oranges and was surprisingly drinkable.

When he had eaten, Isra told us some tall stories about gypsy curses and an imprisoned princess. Then he wiped the plates clean in sand and started to make his own supper – both drivers refused any food until the drink was finished.

They made up our beds on the dunes – three thick blankets each – and tucked us in. We lay fully-clothed, watching the shooting stars until sleep took us off to dream of lesser things.

The cold woke us in time to see the sun rise, and then we heard of the night's drama. One of the camels had chewed through its tether and made a run for it. Isra, who had to jog for an hour before catching it, laughed as he told the story. The camel, now chewing nonchalantly on its breakfast and with fresh rope around its ankles, looked unabashed.

The incident might have ended there except that it seemed to inspire a new spirit of rebellion in the other camel, which decided that it had had enough of me.

From the start it had been temperamental, the drivers explaining that it was just seven years old and not yet fully broken in. But now it was snorting angrily, and when my driver tugged a little too hard on its reins it turned and spat the fetid green remains of breakfast over its owner's white shirt.

The politics of human-camel relations dictate that when the animal spits, negotiations have reached a temporary halt, and we waited a few minutes for it to calm down. Then the driver tried, ever so gently, to coax and cajole it into action, clucking and blowing kisses as if trying to persuade a kitten to come down from a tree.

The beast relented, and two hours later we arrived at a group of homesteads where half-a-dozen men were squatting in the sun beside a field of millet. They looked up with opium eyes, the same smiling nonchalant gaze that the camels gave us from beneath their long curling lashes.

Camel drivers resting: the politics of human-camel relations dictate that when the animal spits, negotiations have reached a temporary halt

Mark Hodson

The men were swallowing opium with tea from white china cups and saucers. "It is just to stop them feeling the heat," Isra assured us. Another man appeared from a mud hut carrying his young son. The boy's back was pitted with infected bites. We had no antibiotics, so we handed over a bar of Lux soap for which the father grasped our hands in silent gratitude.

My driver's silence, which at first had confounded me, now seemed ideal. As we ambled through the stark landscape, the only sounds came from the creak of the leather saddle and the camel farting and panting. Occasionally we would hear goat bells but otherwise the desert was quiet. In a country as loud as India, this seemed to us almost magical.

I was even warming to the camel, whose ungainly appearance – all teeth, neck and knees – had at first put me in mind of a friendly Spielberg monster. Camels can hardly be called intelligent, but their languid gait and the dainty way they pick their way over the sand can pass for elegance. There is no escaping one fact, though: of God's many wonderful creations, they are surely among the most flatulent.

At the next village we arranged to buy a chicken from a man who then ran off with our money, promising to deliver the chicken later. We rode for another hour, passing wild peacocks and a herd of gazelle and two girls, their faces covered with bright veils; on their heads were huge water jugs.

As buzzards circled overhead, Isra chatted with an old woman herding goats some 20 yards from us. We set up camp on virgin dunes and drank milky cardamon tea as we waited for the chicken man. It was an hour after dark before he arrived with the bird, which was taken behind a cactus and discreetly strangled.

The delivery man declared it too late to walk home and invited himself to dinner – a chicken and vegetable curry – before curling up to sleep beside the embers of the fire.

If he had felt inclined he could easily have found his way back, for these men know every inch of the desert. On moonless nights such as this, lone camel drivers cross the Pakistani border. They smuggle out silver and bottles of rum, and return with opium and gold.

Across India, gold is highly prized and forms the core of every rich girl's dowry. But something strange happened in the history of these remote villages, where the man's family must now supply the dowry. When times are hard, young men may roam the desert for years with only their camel for company, trying to save enough money to tempt a worthy bride.

Isra was lucky. Married young, he was now 35 – though he looked 10 years older – with five children. He works for half the year, taking occasional tourists on treks, and in the hot season, when daytime temperatures regularly top 45°C, he stays home to "make more babies."

On the final day we arrived at a straw shack where a young couple lived with their two small children. In their tiny fenced-off yard were all their possessions: a stove, some rusted tins, plates and cups, one goat. They sat us down, made tea and offered us cigarettes, asking for nothing in return.

I gave the man a postcard of London, one of a pile I had taken with me to India, and told him it was a picture of my home town. He stared at it for a while, turning it over in his black creased hands before handing it to his daughter.

The girl, who was about four years old, with cropped hair and a snotty nose, looked at it blankly and then walked away, clutching it to her torn T-shirt.

As we left, I wondered what they would do with the postcard – pin it to a wall, throw it away, try to sell it – and imagined, in my arrogance, that it might play a small part in that girl's life.

Would she wonder about the place that lay beyond the edge of the desert? Would it make her want to go there? In such small ways are lives changed.

TRAVEL / PERSPECTIVES

A hot and dusty road to the last place on earth

Leslie Gardner wanders through Thrace to Tekirdag, in Turkey, a small port with a literary history

Edirne, on the Bulgarian frontier to Istanbul, at the gates of Asia, is the fag-end of the Orient-Express route. Every morning a pink *motortren* sets out from Edirne, roams Thrace, stops everywhere and reaches the Bosporus in the evening. A ticket to Corlu (*Tchor-loo*), the half-way house, about 110 miles, costs 55p.

Two rough-looking boys were my fellow-passengers. They looked over my shoulder as I sat studying the map of Turkey. One traced with his finger an east-bound journey, far across Anatolia, to Mus, near Lake Van. His native town. The other went farther, into the mountainlands of the Iraqi border.

"You're a Kurd," I told him. Both laughed heartily. I pondered the mobility of Turks in their vast land where, to one side, the Danube pours her waters and, from the other, the Tigris and Euphrates flow. The Grand Signior once summoned teams of virgins from the distant provinces, in order to have samples of every region in his harem. By the time the Lake Van girls reached Constantinople, a third of them were mothers.

At least they were spared an ordeal by *motortren*. Racked with cramp from its narrow, straight-backed bench, I needed help to disembark at the wayside halt of Buyukkaristi. (A sketchy knowledge of a few nouns interpreted it as either the resting-place in the birch forest or the town of wooden saucepans).

It was an oasis of rank vegetation in a harsh landscape. Roses fought with cabbages, all tossed in a red and green salad. Hollyhocks and begonias stood like signals along the line. Canary creeper festooned the fountain and the crossing-keeper's white two-roomed house.

He lay sprawled under his fig-tree, a burly old fellow in braces and uniform trousers. Custodian of this single-track link between east and west (down the line: Istanbul, Ankara, Baghdad; up the line: Sofia, Vienna, Paris), he led a contented life, pottering among flowers.

He exemplified the wisdom of Candide's philosophy: *"Il faut cultiver notre jardin."* The pink *motortren* had not been worth getting up for, but when a signal clicked and the dark-green Marmara Express loped through like an exhausted animal, he put on his pill-box cap and saluted the driver.

I took to the hills. When the rains arrive, Thrace will be a delightful country with oak, mountain ash and laburnum in leaf, wild cherry in flower and clear streams racing down sandy channels to the Sea of Marmara.

Until then it is dusty, lifeless and swept by a gritty north wind. I kept stopping to empty sand out of my shoes. A young man and a girl in a donkey-cart overtook me and, as everyone does in Turkey, urged me *to climb up behind*. He scowled when I declined, but the girl understood and her happy young smile was as good as a glass of spring water to me.

Short cuts across the sheep pastures were a mistake. My guide-book mentioned "playful Thracian shepherd dogs," but those I met had never learned to play. The first whiff of a stranger brought them racing in a pack, snarling and spoiling for action.

Pretending to pick up a stone sometimes disarms a cur, but not the curs of Thrace. The shepherd, thank God, is usually not far away. You offer a cigarette (which he examines as though he has never seen one before) and sit with him in a cavity of the dried-up torrent bank, out of the breeze.

Off-duty dogs chew scattered bones, probably those of some previous passer-by. You offer the dogs a share of your lunch of black bread and *kazan dibi* ("bottom of the barrel"), the *treacle pudding which the* Edirne pastry-cook rolled into a ball and stuffed unwrapped in your pocket. The dogs respond with growls.

Near Corlu a tractor-driver refused to take No for an answer, so I rode into town on his trailer-load of sunflower seeds. *"Oberj?"* He pointed down a side-street off the *asfalti*, the shining racetrack of the Athens-Istanbul highway. *"Yok turistik,"* he said – not a tourist hotel, therefore not a rip-off. Picturesquely old-fashioned (they even provide bedroom slippers for your dawn raid on the mosque), the Oberj Hatman was half as costly and twice as elegant as anything I had known in Turkey.

It served no food or drink (it was impossible to buy wine anywhere in Corlu, although the place bristled with drunks), but I discovered a sort of garden restaurant called Atsubay Orduvei. The lamb rissoles and nightingales' nests, the kebabs and *dolmasi were nothing to* write home about, but the commissionaire snapped off a salute as I arrived and the coffee-boys, balancing tiny cups on trays slung from silver chains round their necks, trotted about smiling.

On a low wall across the street sat a dozen old women, veiled and silent, like a row of black crows waiting to pounce on the leavings. I asked one if I could photograph her. She fled whimpering. I put the same question to her neighbour, who immediately uncovered and gave the camera a brilliant smile.

The 15 miles from Corlu to Tekirdag (*Tekky-da*), downhill all the way, take about four hours on foot. When you come out on the low, lonely Marmara cliffs you can strip, beat the sand out of your clothes, wash and dry your socks and swim in a mild sea.

Tekirdag is a small port among the dunes through which sandy trails of streets are cut. Hustled by the gritty wind, clapboard houses rattle and nod over their buttresses of sand. There was no sign of a population until I peered into the mosque, where a spotty youth in a tasselled cap was reading from the Koran.

A bell tolled. Out of the municipal offices the clerks came running, down the broad steps two and three at a time. Surely one among them spoke English or at least French? Surely someone was aware of the literary importance of Tekirdag, the spot that Voltaire nominated (possibly because it *appeared to him the last place* on God's earth) as that to which Candide and Pangloss retired to cultivate their garden? The clerks could not make out what I was talking about. A garden? At Tekirdag, where everything lay under 6 inches of sand? Before dark I had surveyed the town, upwind and down. There was no monument to that profound and original French philosopher, no *bulvari* Candide, no *sokagi* Pangloss. Army trucks slithered through, each vehicle's radiator proclaiming "NATO-FUNDED."

A coach from Greece stopped at the waterfront fuel point, all its passengers asleep and the radio playing Mozart. One by one the arc-lamps of the coasting vessels at the jetty went out. Incredibly, the coasters seemed to have been discharging cargoes of sand and gravel.

I button-holed a sailor in French naval uniform. *"M'sieur,* you know of Voltaire?" He looked up and down the harbour and said: "How many funnels has she got?"

In search of the Japanese spirit

Christopher McCooey experiences early morning on Mount Fuji

Four o'clock on a July morning on the rim of a dormant volcano. It was dark and chilly, the wind swirling out of the 700-ft crater behind me. I was not alone, just one of hundreds gathering on the summit of Mt Fuji, at 12,388ft the highest point in Japan.

Some people had slept for a few hours in mountain huts on the trail or at the summit. Others, like myself, had climbed through the night and were resting – conversing in low voices, sharing chocolate and anecdote in time-honoured mountain tradition – and waiting for the sunrise.

Climbing Mt Fuji is more than just getting to the top of a mountain. For the Japanese it is a religious experience, confirmation of their true Japanese spirit, and to be there at dawn, to pay homage to the rising sun, is the ultimate high.

The eastern sky began to lighten perceptibly as more and more parties of climbers, some urged on with whistles and megaphones, snaked their way to the top. Their progress could be monitored by watching their torches swinging from side to side, following the trails below.

At this altitude it is necessary to rest every few steps as the final few hundred feet are the steepest and the loose volcanic ash and clinker make it very tiring: three trudges up, half a slide down, wheeze, rest, gulp for oxygen, gaze at the stars. Altitude sickness, a red-hot steel needle inserted behind the eyes and twisted slowly for effect (or so it feels), may be a problem. If you are prone to this, take altitude pills.

Fuji is an almost perfect volcanic cone about 60 miles south-west of Tokyo. On days when strong winds have swept away the pall of pollution that inevitably hangs over Tokyo, a city of nearly 12m, the graceful mountain, snow-capped in winter, can be seen from downtown.

The volcano must be considered dormant rather than extinct. Since 800 AD, seven eruptions have been documented; the most recent took place between December 16 1707 and January 22 1708.

It was in that eruption that the cone lost its perfect symmetry. There is a hump on its south-east slope called Hoei-zan (*san* or *zan* means mountain in Japanese, which is why Fuji is often called Fuji-san, or Fuji-yama, *yama* also meaning mountain). Ash spewed out from Hoei-zan and covered the capital, called Edo in those days, to a depth of 6in.

When I was there, Hoei-zan, at 8,864ft, was as black as spilt ink against the patchy low cloud that hung wispily in the valleys below. I could make out areas of coniferous trees planted in angular blocks on its slopes, and then a huge area, lighter in colour, along Fuji's southern flanks.

This is a kind of tableland that was denuded of its forest cover when Hoei-zan erupted. Today it is an area of open moorland used by the Self-Defence Force as a training ground for its troops, tanks and jets. Beyond that were swathes of lights from towns and cities, part of the most dynamic industrial region on earth, the Pacific seaboard from Tokyo to Osaka.

It had taken me four hours to reach the crater rim from where I had left my car at the road-head. The trails are steep, but easy to follow. If you are reasonably fit then a steady plod will get you to the top.

I reached into my rucksack for a sweater as the chill wind at the top quickly nullified the body warmth caused by my exertions. I found a sheltered hollow.

My wife had prepared *onegiri* for me, and I began to munch on the rice ball wrapped in dried seaweed. In the centre was a pickled plum, tangy and sour, and I sucked on the stone, enjoying its refreshing taste.

On peak summer weekends as many as 40,000 people climb Fuji. Like any mountain area, accidents occur, and Fuji has claimed its share of lives. Some Japanese have actually chosen this sacred mountain as the place where they want to die. On the north side is an area of virgin forest called Aoki-gahara, the Sea of Trees. One of the trails that goes from the base of the mountain to the summit passes through this area.

Hikers are advised to keep to the trail as it is easy to get lost, and minerals in the rocks cause compasses to malfunction. Japanese bent on suicide drown in the Sea of Trees; they wander off the trail and get lost, spending their last earthly hours on the slopes of their beloved Fuji. Each year the police and the Self-Defence Force combine to search the area; on average 20 bodies are found.

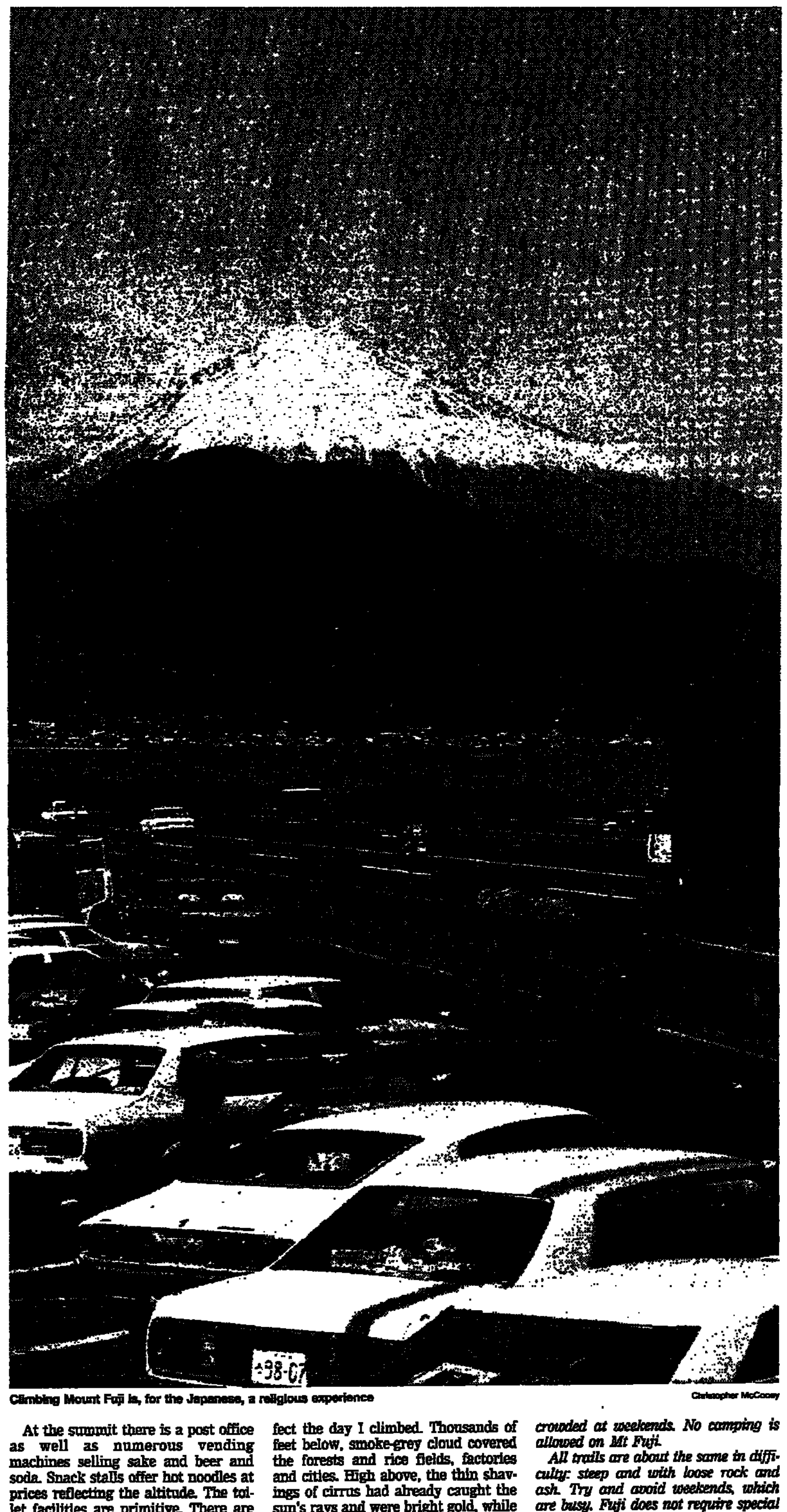
With proper equipment it is possible to climb the mountain during any month, but in the winter it should be regarded as a serious alpine expedition. Several thousand climbers are on the summit at dawn on January 1, to greet the New Year.

However, the safest time to climb is during July and August when all of the mountain huts are open. Even so, care is needed because of rock slides.

In August 1980, 12 people – mostly schoolchildren and elderly people – were killed by a rock slide as they descended Fuji by the *sunabashiri* (sandslide) on the north side. This is a large patch of volcanic sand, and it is possible to get from the summit down to the car-park in an hour if you run and slide.

The sky had changed from black to deep purple and was now lightening to blue. The moon was a pale yellow in a panoply of silver blue stars and orange planets and, tracking through them, a satellite. In the growing light I became more aware of my immediate surroundings. The garbage that desecrates the mountain is unbelievable.

Down below there were huge screes of rusting cans beside each hut; on the trails were candy wrappers and soda cans discarded by climbers; around me at the summit were empty boxes that had contained rice meals, smashed beer bottles, orange peel, cigarette ends and wooden chopsticks used once and dropped. It seems incredible that the Japanese venerate this mountain so deeply yet treat it so shabbily.



Climbing Mount Fuji is, for the Japanese, a religious experience — Christopher McCooey

At the summit there is a post office as well as numerous vending machines selling sake and beer and soda. Snack stalls offer hot noodles at prices reflecting the altitude. The toilet facilities are primitive. There are souvenir shops selling charms and trinkets and, if you have a hiking stick, you can get it branded to prove that you made the conquest.

It is estimated that just under half the 400,000 who climb the mountain every year are female – which is only right when it is remembered that the guardian divinity of the mountain is a female one: the goddess who makes the flowers bloom.

I was lucky, for conditions were perfect the day I climbed. Thousands of feet below, smoke-grey cloud covered the forests and rice fields, factories and cities. High above, the thin shavings of cirrus had already caught the sun's rays and were bright gold, while out in front a blood-red dawn seeped perceptibly along the eastern horizon.

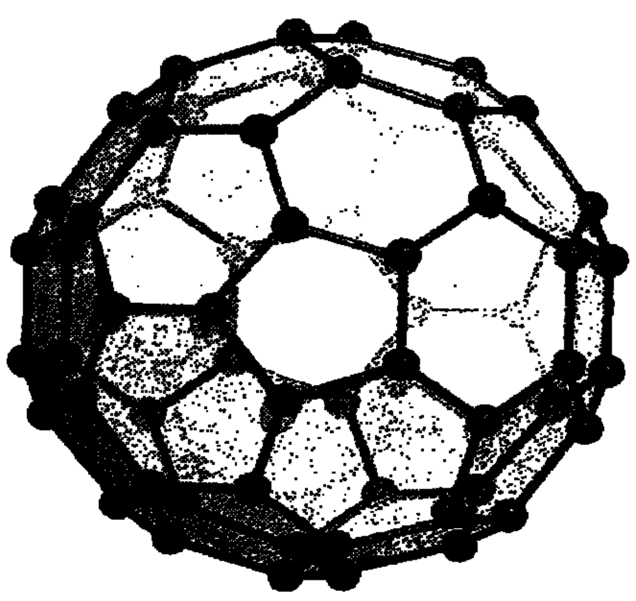
And then the huge orb of the sun rose majestically out of the mighty Pacific to a chorus of "Banzai!" ... "Cheers!" ... "Long Live the Emperor!" ... "Long Live Japan!"

■ *When to go: the mountain climbing season is from July 1 to August 31. The mountain huts charge about £40 with evening meal and breakfast, less without. The huts are spartan and very crowded at weekends. No camping is allowed on Mt Fuji.*

All trails are about the same in difficulty: steep and with loose rock and ash. Try and avoid weekends, which are busy. Fuji does not require special mountaineering skills in the summer season, just reasonable fitness and perseverance.

A stout pair of hiking boots is essential, with gaiters recommended to protect your ankles from the sharp clinker and help keep out the cinders that work their way into your socks. Warm and wind-proof clothes should be worn or carried as it may be hot at the bottom and freezing at the top. Take your own food, snacks and drinks.

The Nature of Things



A 'truncated icosahedron': chemists marvel at fullerene's shape

Scientists on the ball

Clive Cookson on a form of carbon shaped just like a football

What does chemistry have in common with the World Cup? Answer: great excitement about balls.

The most significant molecule discovered in the past 10 years is C_{60}, the football-shaped form of carbon known officially as buckminsterfullerene – fullerene or buckyball for short. An astonishing range of applications has been proposed for fullerene and related compounds: from batteries to Aids treatment; better photocopiers to super-slippery lubricants; rocket fuel to ultra-strong fibres.

But chemists are not just excited about the potential uses of fullerene. They marvel at its spherical shape – more symmetrical than any molecule previously known to science. And they are delighted that pure carbon – long known to exist in two forms, graphite and diamond – can take a third form so different to both of the others.

In diamond, the hardest natural material, each atom is linked to three others in a three-dimensional tetrahedral arrangement. In graphite, one of the softest, the atoms lie in two-dimensional hexagonal sheets. Fullerene is a "truncated icosahedron", one of the 13 Archimedean solids known since classical times. Its 60 carbon atoms are arranged in a regular cage whose sides consist of 20 hexagons and 12 pentagons – just like a soccer ball (which usually has the hexagons coloured black and the pentagons white).

But the scientists who discovered C_{60} in 1985, Harry Kroto of the University of Sussex in England and Richard Smalley of Rice University in Texas, were not soccer fans. Instead they named the molecule after the late Buckminster Fuller, the American engineer who designed geodesic domes with a similar shape.

The discovery illustrates the spin-offs that can come from "blue skies" research pursued out of intellectual curiosity. The driving force behind it was Kroto's desire to understand the nature and structure of matter in interstellar space.

Kroto believed, on the basis of spectroscopic evidence, that long chains and other clusters of carbon atoms existed between the stars. To investigate further, he convinced Smalley to join a co-operative project, using special equipment designed by the latter to generate atomic clusters from a supersonic jet of gas in a laser beam. They found that molecules with 60 carbon atoms were particularly stable – and proposed the correct fullerene structure – but could only produce them in microscopic quantities.

As it turns out, fullerene is widespread in nature. Spectroscopic studies show that Kroto's "celestial spheres" are indeed almost certainly present in interstellar space. On earth, tiny traces of C_{60} have been detected in 65m-year-old rock dating from the end of the Cretaceous era; they may have formed in the cataclysmic collision with a comet that exterminated the dinosaurs.

The breakthrough towards practical applications came in 1990 when Wolfgang Krätschmer of the Max Plank Institute for Nuclear Physics in Heidelberg and Don Huffman of the University of Arizona in Tucson discovered a simple way of making relatively large amounts of C_{60}. They vaporised graphite electrodes in a low-pressure helium atmosphere, producing a sooty black mist from which pure fullerene could be extracted as a reddish solution and then crystallised as a slippery yellow solid.

Within months of the process being published, many scientific groups were making their own fullerene and today the material is available commercially. For example, Dynamic Enterprises, a UK supplier, sells more than 99.5 per cent pure C_{60} at £100 a gram – and an educational Buckybox kit for schools to make their own fullerene costs £95.

As well as C_{60}, the Krätschmer-Huffman process produces smaller quantities of other previously unknown fullerene-like molecules. Most common is an elongated form, C_{70}, which looks like a rugby ball.

More exotic variants include buckytubes – fullerene stretched out indefinitely in one direction – and bucky-onions – concentric shells of successively larger fullerenes. Researchers at NEC, the Japanese electronics group, have recently made buckytubes only a few millionths of a millimetre thick but more than a thousandth of a millimetre long, and filled them with metal atoms. They are the finest wires ever made and are potentially far stronger than the conventional carbon fibres used in industry.

At the same time, scientists are making chemical derivatives of C_{60} by attaching other elements to its carbon atoms. One example is a fullerene with two water-soluble molecular groups attached to its surface. This turns out in test-tube experiments to block an essential enzyme in HIV, the Aids virus, and is a long-shot candidate for development into an Aids drug.

Another avenue of research is to make fullerenes in which the cage itself is made of elements other than carbon. Japanese researchers are investigating N_{60}, a buckyball made entirely of nitrogen, which would release huge amounts of energy as it reverted to nitrogen gas. It could be a rocket fuel or explosive.

But the first application of fullerenes may well be in photocopiers. Xerox recently received US patents for a process to improve the resolution of photocopies, taking advantage of the fact that carbon buckyballs are 1,000 times smaller than the particles in conventional toner. The company is also experimenting with a range of coloured fullerenes for colour reproduction.

From the English point of view, fullerene fever is sadly like the World Cup. We invented the game and now all the action is taking place elsewhere.

PROPERTY

Gerald Cadogan views a house, fit for fictional detective Hercule Poirot, which could be an enticing prospect for a fan of 1930s' architecture

An austere white fortress on a bare Chilterns hillside: the planning authority gave permission "with extreme reluctance" and the locals called it the "aeroplane house"

A listed 'planning blot'

The new house was a blot on the landscape in 1931, an austere white fortress on a bare Chilterns hillside above Amersham, Buckinghamshire. Inspired by Le Corbusier, the Swiss-born architect, it contradicted the home sweet home notions of Metroland (the suburban development of Middlesex and Bucks along the Metropolitan Railway).

The planning authority gave permission "with extreme reluctance" and the locals called it the "aeroplane house" because its long slabs of wall, interrupted by steel-framed windows, looked like the wings and struts of a biplane. Now, it is a listed building; indeed, it was a setting for filming Agatha Christie's *Hercule Poirot* television series.

The house was called High and Over, after a windy hill on the South Downs in Sussex. A New Zealander, Amyas Connell, designed it for Bernard Ashmole, a friend who then was professor of classical archaeology at University College, London. Christopher Hussey, writing in *Country Life*, called the building "the conception of young men". He went on to acclaim it as "the home of a 20th century family that loves air and sunlight and open country".

Connell built it with a concrete frame; brick filling rendered with cement and white-washed; and concrete blocks inside. Its utter lack of compromise and clean lines must have reminded Ashmole of ancient Greece, one of his specialities.

The two met in Rome when Ashmole was director of the British School and associating with a lively group of artists and archaeologists such as Rex Whistler and Barbara Hepworth (as he tells in his autobiography* which appears on June 22, the centenary of his birth). The son of an estate agent in Ilford, Essex, he was related to the Elias Ashmole whose collection is the basis of the Ashmolean Museum in Oxford.

That background was ideal for a classical art historian, as he became after surviving the first world war with wounds and the Military Cross. In the second war, he volunteered for the RAF and found himself everywhere from Shetland to Sumatra.

As Keeper of the British Museum's Greek and Roman department, his greatest feat during the war was to pack up all its classical treasures – including the Parthenon sculptures – and hide them in an unused tunnel of London's Piccadilly underground line. Years later, he was showing them to John Paul Getty. And how much would they cost? asked the US billionaire. "Even more than you, Mr Getty, can pay," came the answer.

Water fascinated him. Returning to Oxford as its professor of classical archaeology, he lived first in the Old Mill at Iffley, where he built a water system in the garden with a fountain basin cast by pouring concrete into an upturned umbrella. At High and Over, he put up a water tower to feed the swimming pool which he and the gardener dug out from an old chalk pit. As it did not have planning permission, it was called a pond.

The three storey-high house was built as a Y, to fit the contours of the bare hill and "take utmost advantage of the scanty English sunshine" while having a superb view of the Misbourne valley. It stood dominant on a podium, and the design was a triumphant combination of intelligence and technology.

The electric lighting was behind panels of frosted glass set in the ceiling in brass frames – as you might expect on an ocean liner. Upstairs, washbasins were tucked into alcoves – again, like a boat – and the number of cupboards was quite unusual. The front door was chromium-plated steel, as was the stair railing.

On the ground floor, one of the three prongs of the Y was the professor's study – art history needs space to spread. Another was the drawing room, and the third the dining room and kitchen. The prongs met in a hexagon, floored in black marble with a fountain, at the heart of the house and overlooked by a round gallery on the first floor landing.

Most cunning was the second (top) floor, a flat roof containing the children's play space (with a sand box plus concrete shelters with hooks for hammock and swing) and penthouse nurseries.

The Ashmoles lived in High and Over until after the war, and the garden grew. Today, the house is hidden by splendid trees (protected by preservation orders) and it is hard to imagine what a threat it was to Amersham 60 years ago. Beyond the pool, a wood adds to the privacy. But most of its 12 acres was lost to development around 25 years ago and the house was split into two – not vertically but with different wings and floors projecting into each other, like a layer cake.

This meant many alterations, which obscure the Bauhaus cleanliness of the original design. Partition walls have been put up and panel lights and shelves covered over or removed. Even the fountain is under a fitted carpet.

Today, one part – which includes the hexagonal fountain room and the library – is for sale, with a guide price of £229,500, through Amersham agent Peter Robson (0494-724 999). It could be an enticing prospect for a fan of 1930s' architecture. Tear down the new partitions and put back the detailing – the fountain and shelves and light panels. The result would be an austere and sophisticated urban cottage, true to the vision of Connell and Ashmole. And who knows: perhaps, one day, the two halves could become a whole once again.

*Bernard Ashmole, An Autobiography, *edited by Donna Kurtz, Oxbow, about £18*

Cadogans's Place

A French connection

HOUSE-HUNTING in France is fun, and a voyage of self-discovery. But do not disdain advice if you want to succeed. It is worth letting yourself be nannied.

"Work through a UK consultant," advises Sarah Francis at Sifex. She says they are of great use for those who want to be helped through the process, but adds: "Decide which one you want to go with. If you use several, you will probably end up with the same agents in France showing you the same houses."

There is no extra charge, as such a consultant will split the vendor's fee with the French agent or British agent working in France.

Here are some other points to remember:

■ Besides the consultants' and agents' lists, useful magazines are *Belles Demeures*, *Demeures et Châteaux* and Le Figaro's *Propriétés de France*. Advertisements are often in English as well as French. There is a huge range of properties, many of which have been on the market a long time with the price falling gradually. Prices tend to be higher in favourite regions such as Brittany, the Dordogne, Normandy and Provence.

■ When you set out to inspect properties, allow plenty of time; you will not then have to rush for a telephone in the heart of the country to tell the agent you are running late. Remember also that the agent has lunch from 12-2 and be certain to arrive at the agreed hour.

■ "Never offer the asking price," says Crabb & Templeton Associates (0225-810 531), a property consultant and financial broker. And make sure at the start that you have enough land if you want a tennis court or swimming pool. Also, inquire what might happen next door. A visit to the mayor will be helpful.

■ Before you settle, get estimates for work that needs doing. An architect or surveyor might not be necessary but the local builder is. Small firms of British builders are now working in France on old houses.

■ If you need a mortgage, says Crabb & Templeton, consider getting one in francs. It will be of the old-fashioned type, with repayment of capital and interest, and probably will run for 15 years. At the moment, mortgage rates in France (about 10.15 per cent) are higher than the UK. But there is a sporting chance the coming election will spark a devaluation, which would be the moment to exchange sterling.

■ The extras – mainly taxes and fees of the *notaire* – are likely to be 11 to 13 per cent of the price.

■ "If you have any worries about the transfer, ask a solicitor who knows France to spend half an hour looking over the documents," advises Tim Urquhart, of Bristol solicitor Osborne Clarke (0272-230 220); also London, Paris and Lyon. But, in general, he thinks it is not worth instructing a British solicitor for a property below £100,000.

■ "If two families are buying together, forming a company [a Société Civile Immobilière] is a sound idea," says Francis. Otherwise, if somebody dies in a car crash the Code Napoleon will apply and the property will be split up. Crabb & Templeton recommends making a will in France as well as the UK.

■ There is also the matter of health insurance. C&T says that form E111, issued in the UK, is fine for holidays, followed by E106 which is good for two years. But, after that, you might not be covered.

If you are under 65, the best solution is to start paying into the French social security system, which will look after 75 per cent of your medical bills, with the rest covered by private insurance. But if you are over 65, it is too late to join. And private insurance can be expensive.

Gerald Cadogan

OUTDOORS

Gardening

A perfect permanent partner

Clematis and roses climb to the top of ***Robin Lane Fox's*** *league*

One more weekend like the last and the ground will be like a brick. The weeds will have to be dead-headed, refusing to be uprooted. Summer, meanwhile, has brought *on the roses with a rush.*

Five years ago, I planted the climbing roses for my new garden: the obligatory New Dawn; the tall and strong red Etoile de Hollande; the scented head-hanging Lady Hillingdon; the quartered white Sombreuil; the heavy-scented pale pink Caroline Teftout; silvery-white Madame Alfred Carriere in memory of Sissinghurst; double-white Mrs Herbert Stevens; a peach-white rambler which even Peter Beales does not list; and – my current favourite – the silky pink-apricot Paul Lede which all but one nursery has forgotten.

They have all flourished and anyone would like to grow them, but most of them came to me because of invisible memories. Beside each of them, I see past faces: the people, homes and serious gardeners through which these roses came to my notice. Whenever I planted a rose, I planted a clematis beside it; it is odd that so few people remembered until recently to do the same.

The results are admirable and would suit any garden with walls, however restricted. The plan is so good that all the books neglected it and even the catalogues do not mention it, preferring to list clematis for trees, not roses.

The reason must be the segregation with which the English regard their national flower. They give it rose beds, rose gardens and rose arches; roses, I was once taught at Kew Gardens, in Surrey, must never ever be underplanted and in winter they must be pruned hard to look like bundles of sticks. Control them, keep them apart, fan-train them on walls and never imitate the French. The French nail roses on to posts and prune them hard after flowering, packing them on to scaffolds, far too close together.

On English walls, roses must never criss-cross and we all used to be told that nothing must interfere with a climber's health. *The idea of mixing in a clematis would strike a college-trained gardener as absurd.* A clematis needs a deep-root run *and a site which does not dry out.* The base of a wall is dry and a neighbouring rose makes it drier still. If the clematis grew, it would hang like a mop of green hair or go brown at the bottom and accentuate a rose's lower nudity.

In fact, the two families twine together very well and allow us all to double up our garden's seasons by ignoring Royal Horticultural Society rules. The deep violet flowers of Clematis V President have threaded themselves through the lower reaches of my large Madame Alfred; the orange-yellow Lady Hillingdon is crowned with the sky blue Perle D'Azure; sky-blue Lasurstern dominates the outer edges of the white varieties, while various viticellas prolong the season by flowering in August.

Most of these clematis were planted within a foot of the rose and are none the worse for it. Most of them stand beside gravel or a paved path while their roots can run deeply, exploring the cooler soil underneath.

I would like to take credit for this easy combination, but I copied it from better gardeners. Anyone can copy it, but they will need to think about the height and width of their clematis and to be willing to feed and water it whenever possible.

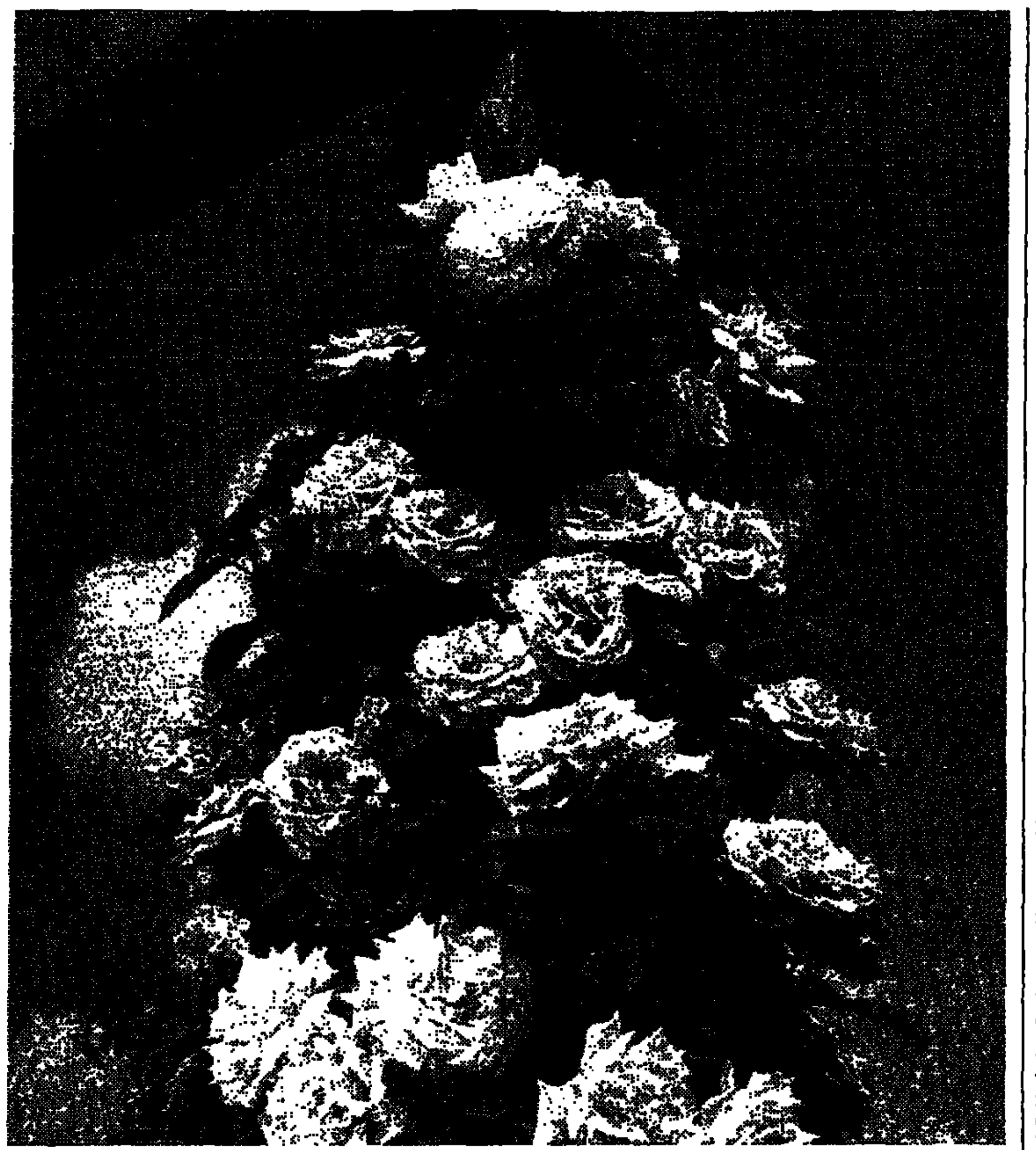
People go wrong by assuming that most clematis grow to a similar height and can be planted without further thought. In fact, they vary hugely and need to be matched to the task in hand. Tall twining roses, such as red Etoile d'Hollande, need to be matched to a short-growing clematis so that all the flowers do not appear at the top of a wall.

For tall roses, I recommend the white Clematis Henryi, mauve-blue Prince Charles, the dusky red Madame Edouard Andre for pale-flowered roses, and the blue H F Young, which flowers so profusely. Do not assume that all the late-flowering viticella forms are relatively short-growing. They are not and you should consult an explicit catalogue such as that produced by Valley Clematis, of Hainton, Lincoln, for details of the potential height of each variety.

The shorter types of climbing rose, such as Lady Hillingdon, are easily suited in the opposite direction. The king of all easy clematis, the wonderful Perle d'Azure, will race up above any such climber and reach 15ft in height, crowning it with showers of its rounded blue flowers. I find it much better than the yellow-flowered varieties which are sometimes recommended but which are much too dense in leaf and growth.

Why not have two beauties where conventional books think only of one? Promiscuity pays and I have got away with almost total neglect. Double-planting does not double the effort, but it does double the season, especially in enclosed urban gardens where the best planners know very well that they must *think in terms of a jungle with* layers.

The one secret is to feed and water heavily whenever you can, adding Phostrogen to a can of water and drenching the roots of the clematis as often as once a week. Under the quiet moon of these recent warm evenings, it is an enchanting labour, tending a second presence among the curtains of roses which have just sprung to their yearly best.



The climbing Bourbon rose Kathleen Harrop, one of the many illustrations in Jane Taylor's *Climbers and Wall Plants for Year Round Colour* (Ward Lock, £8.99, 128 pages)

Fishing/Tom Fort

A cast full of characters

When it comes to *machismo in fishing,* one bearded figure springs immediately to mind – that of the ultimate *macho fish slayer,* Hemingway.

It is difficult to imagine that Ernest would have regarded any of our freshwater fishes as exemplifying masculinity, or – much more to the point – being capable of challenging his. For him, the battle took place at sea, with fish huge enough to shatter a man's strength and break his spirit. They must be muscled monsters, lords of the ocean, creatures such as sawfish, mako shark, broadbill tuna, or the marlin of *The Old Man And The Sea.*

The fish of our rivers, lakes and ponds are Lilliputian by comparison. The tench, for instance: to Wal*ton, it was the physician, curing the* ailments of other fish with the balm contained in its slime.

Utter tosh, of course. And neither is the tench an elemental force of the deep. Rather, it is a lovely, golden-olive, smooth-scaled bottom-feeder; a quiet, peaceable inhabitant of placid canals and dark, reed-fringed ponds.

Ruminating anthropomorphically, I could indeed see the tench as a GP in a country practice: solid, respected, a source of sound advice and well-tested prescriptions.

He is sensible enough, but in terms of brainpower must yield to the carp, which is undisputed as the fishing world's repository of wisdom. The carp is large, ponderous, with great mailed flanks, vast rubbery mouth, and a mighty tail. He, too, is a fish of still waters, old moats, monastery ponds and the like. His authority and reputation for sagacity spring from his size, and the difficulty anglers experience in catching him.

I see him as the senior partner in *a long-established law* firm – a fair and moral influence, but sharp-witted too; and much respected in the community for his work on local charities and as chairman of the school governors.

The carp rubs along nicely with the tench, for philosophically they have much in common. But he has a powerful prejudice against his nearest rival in terms of size – the pike. He sees him as a dangerous, troublesome element in society: a savage, greedy, unscrupulous predator, *immune to civilising influences.*

For his part, the pike fears the carp for his superior learning, and despises him for eating worms and *grubs when there are more substan*tial meals around. The pike is a ruthless and dynamic businessman – a property tycoon, perhaps, or hungry asset-stripper. I admire him for his dash, but think the carp would make a more reliable friend.

I would be happy to make another friend of the chub. I like chub – most anglers do. He could be a customs man, an electrician, even a hack. It would not really matter. The thing about the chub is that he is a family man, can take a joke, is keen on rugby and cricket, always stands his round in the pub.

I like perch, too. They are handsome fellows, with their black stripes across olive sides, and red fins. They bristle with pugnacity and commonsense – would make good police officers, backbench MPs of the no-compromise tendency, teachers of the old school.

The roach, on the other hand, is fastidious and delicate – in publishing, I should say, or playing woodwind in a symphony orchestra. Bream are slab-sided and boring, making dull speeches at dull council meetings. Eels are slimy and sinister: offering loans to the gullible at murderous rates of interest.

In the main, the coarse fish are professional types. The gilded nobility, of course, is drawn from the salmonidae, with the salmon, inevitably, as monarch; the trout in its finery as prince and princess; the grayling as top-drawer aristocracy.

But how might I see myself, were I to be catapulted into an underwater world?

I should like to think that I combined the wisdom of the carp with the athletic glory of the salmon, the *natty elegance of the chalkstream* trout with the hidden menace of the pike, the explosive power of the marlin with the . . .

But no, not really. I would be content as a chub, or better still, as a barbel: big but not bloated, handsome but not effete, strong but definitely not macho, thoughtful, even a bit moody at times, but at bottom (which is where the barbel feeds) a thoroughly decent, dependable, yeoman farmer type.

A long way from the Nile

Richard Fairman reviews Elijah Moshinsky's new production of 'Aida' at Covent Garden

With its challenging lead roles and prohibitive demands for choral and scenic splendour, *Aida* is an opera that companies do not essay often. Failure in it can be both spectacular and costly, as the opera tempts the incautious into stagings that only end in boom or bust.

The Royal Opera had a bad experience with it last time in 1984. This new production has been entrusted to Elijah Moshinsky, whose previous encounters with Verdi had shown him to be a safe pair of hands. Faced with a relatively small stage and a budget probably of the same proportions, he elected to try the bare stylish look in vogue in so many other recent productions.

Moshinsky and his designer, Michael Yeargan, seem to have seen them all. An informed opera audience could spend happy hours spotting visual references that were striking elsewhere and (given the lack of anything else to exercise the mind) probably will. Do not expect pyramids or vistas of the Nile. An imposing curtain decorated with hieroglyphics is the only pointer towards Egypt, while the costumes are outlandish in every sense: the triumph scene looked like a United Nations convention attended by Arabs, Indians, assorted Africans and a few guests who had turned up in fancy dress.

Without being told beforehand, one would be hard pressed to tell that this was a new production, so diffuse is its concentration. For all its pomp and show, *Aida* focusses intently on several of the themes most personal to Verdi: the tension between church and state, the dilemma of the individual forced to choose between private emotions and public duty. In the final act these opposing forces should generate such intensity that the characters seem torn apart from within.

In fact, the only individual on whom Moshinsky gets a grip is Radames. In this production we watch his precipitous tumble from triumphant warrior hailed in a shower of gold to a grizzled, grey-haired, broken man, buried alive while the rigid Egyptian society which has condemned him carries on its daily routine above. Dennis O'Neill is no Pavarotti (the steely vibrato in the voice is an unappealing feature) but he has spontaneity, passion and guts. He delivered the goods.

Singing her first Aida, Cheryl Studer signally failed to do that. This voice, which has excelled in so many types of music on disc, is essentially a lyric soprano, on the shallow side for the heavier Verdi roles. It was clear from the start that she wanted to make a lyrical (not a dramatic) Aida, spinning long Straussian vocal lines, but as the evening progressed her confidence seemed to slip away and her sense of pitch slipped with it. Later performances may find her in better form.

Luciana d'Intino is a young and attractive Amneris, with a fondness for old-fashioned gestures. Her voice is firm, well-centred, just big enough at Covent Garden: she keeps strictly within her means, which would be admirable in any role but this, which asks for a singer who will let rip (as Cossotto did so memorably). Alexandru Agache makes a forceful, brutish Amonasro. Mark Beesley's King had trouble keeping in tune. A bald Robert Lloyd looks as if he is leading the local Hare Krishna group, but sang with gravity as Ramfis.

His incitement to war failed to enthuse the chorus, whose cries of "Guerra" were so tepid as to promise immediate surrender. Edward Downes is the conductor, who roused himself and the orchestra to more urgent action after the interval. Even so, this is a score of violent contrasts, of sounds wildly high and low, loud and quiet, harsh and soft, which he renders as a solid grey. A self-confessed Egyptologist assures me that, when translated, the hieroglyphics on that curtain read, "Yes, bust again! Better luck next time".

Sponsored by P&O. Further performances until July 22 (with changes of cast).

Lohengrin as a parable

As Wagnerian debuts go, Robert Carsen has done rather well. The prolific young Canadian has spent most of his career scoring successes in French and Italian repertoire. Given his ability to tap singers' acting skills and his refusal to over-conceptualise, he was ripe for the wider spaces of Wagner. *Lohengrin* at Geneva's Grand Théâtre fulfils most expectations, while suggesting he still has something to learn.

Carsen sees *Lohengrin* as a parable of man's political and social condition. Like the people of Brabant, we all seek a better world – preferably one in which problems are solved in a twinkle by some miraculous swan-knight – but are brought back to earth by the self-destructive tendencies of human nature.

Brabant, in Paul Steinberg's designs, is a bombed-out concrete shell of a building, not unlike a modern theatre or military hangar. Its drab, easily-manipulated inhabitants are all too ready to share Elsa's dream of a saviour to deliver them from internal strife and external threat. That the dream bears no relation to reality is clear when Lohengrin arrives like a romantic crusader stepping out of a 19th century painting.

Dressed in a business suit for Act two, Lohengrin imparts confidence like a politician or merchant banker. After "In fernem Land", he withdraws as he arrived – leaving young Gottfried to plant a tree of hope for the future. The moral? Don't count on Messiahs, there is no quick fix; humanity must learn to solve its problems the hard way.

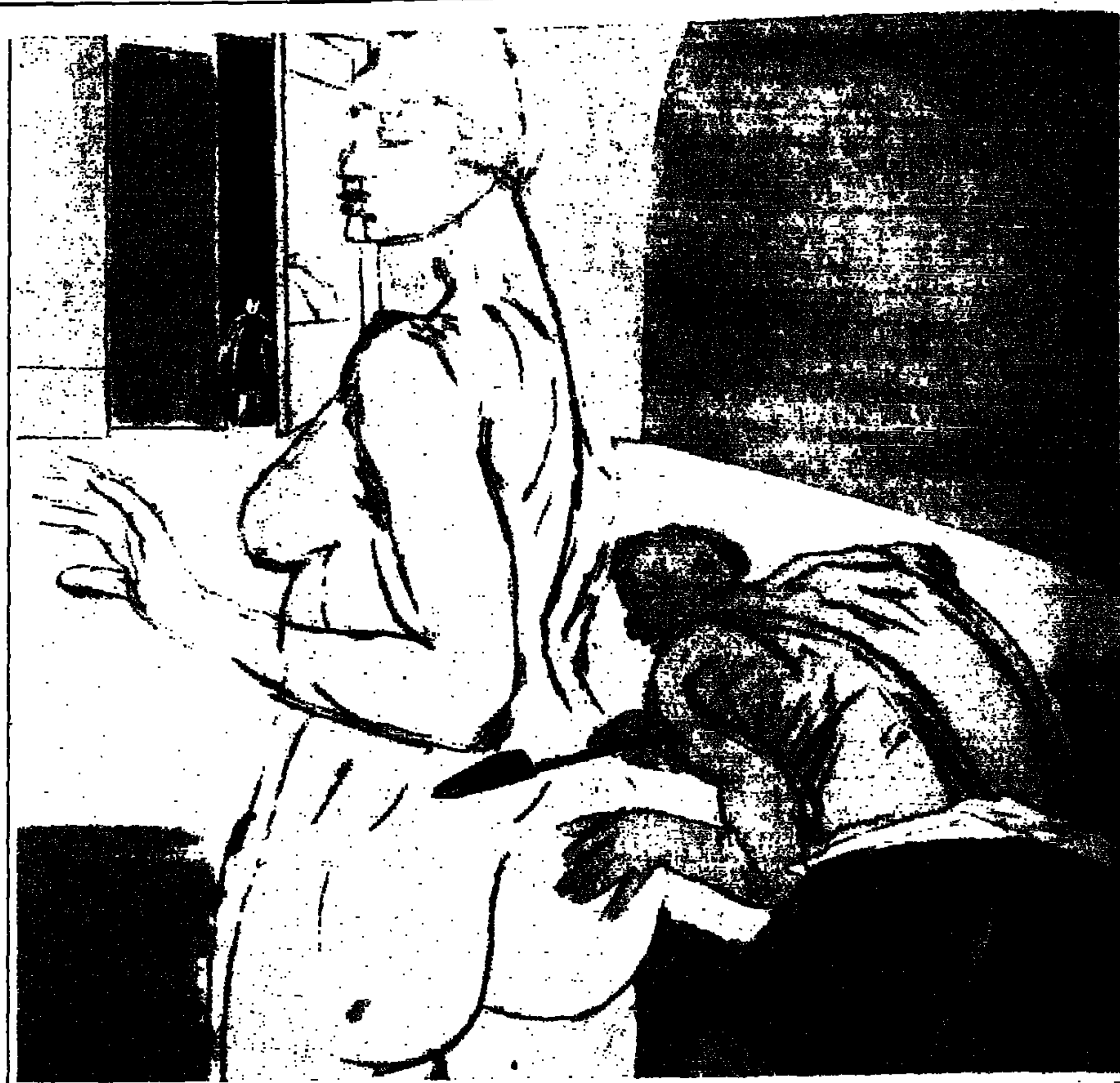
Within this late-20th century allegorical framework, Carsen allows words and music to speak with uncommon freedom. His handling of Telramund and Ortrud – Wagner's Macbeths – is psychologically acute, while the subtle variety of lighting (Dominique Bruguière) is alone worth the ticket. On the debit side, the choral processions find Carsen floundering for ideas. There is a touch of bathos in the way Lohengrin's swan bows its head like a mechanical toy, and the bed-making routine in the bridal chamber is a comic lapse of taste.

On this evidence, Thomas Moser is probably the finest Lohengrin since James King. The voice has a sweet lyrical ring rather than clarion power, and he shows exemplary control and musicality. With his tall, bearded appearance, he is every inch the part. His Elsa is Eva Johansson, a blonde bombshell who sings radiantly and makes a playful bride. Hartmut Welker is the stentorian Telramund, Marilyn Zschau a two-faced Ortrud who could be auditioning for *Dynasty*. Eike Wilm Schulte repeats his fine Herold from Bayreuth, while Hans Tschammer's King Henry – dressed like a general – is a model of dignity.

No reservations about the cast – nor about Christian Thielemann's conducting. His speeds are spacious but powerfully sustained, so that Wagner's long crescendos develop a crowning inevitability. He elicits string playing of extraordinary finesse at the crux of Act two, and the work's melodic poetry comes over strongly. Thielemann's *Lohengrin* has the stamp of authority usually associated with an older, near-extinct breed of German conductor. Nothing could be more reassuring.

Andrew Clark

Final performances June 20, 24, 27 and 30.



Every picture tells a story ... 'The Sculptor', 1982, by R.B. Kitaj

Narrative painting gets lost for words

William Packer reviews the R.B. Kitaj retrospective at the Tate

Ronald Brooks Kitaj was born in 1932 in Cleveland, Ohio. His early adult life was spent as a merchant seaman, with intervals of study at the Cooper Union in New York. Then, in the mid-1950s, came National Service after which, in 1957, he came to England to continue a now subsidised education under the terms of the G.I. Bill. He spent the next two years at the Ruskin School at Oxford, followed by a further three in the Painting School of the Royal College of Art in London. By the early 1960s he was established as a central and influential figure within a loose freemasonery of artists that included not only such college contemporaries as David Hockney, Adrian Berg, Allen Jones and Derek Boshier, luminaries of the British strain of Pop-Art, but ranged from Bacon and Freud, Caro and Paolozzi to Hodgkin, Tilson, Blake, Andrews and Auerbach.

He has remained in London ever since, not as refugee or committed expatriate, but by habit, as he puts it, a cultural vagrant after the fashion of Whistler, James, Pound and Eliot. He remains essentially American and an outsider, conscious of his own displacement and ever intrigued by the dissident, the stateless and the dispossessed. His own Jewishness gives such self-awareness a particular edge. The diaspora in general and the Nazi persecutions are his constant *leitmotifs*.

He has always been a narrative painter, which is to say one who would always impose a reading, a story or scenario, upon the work, no matter how ambiguous or imprecise the physical working of the painting may then render it. Of one of the earliest paintings, the "Tarot Variations" of 1958, he says: "My journal entries for this painting are lost and I can't remember what exactly stands for what, but Eliot claimed that characters and genders melt into each other in (*The Waste Land*) and anyway I have obviously departed to suit my convenience."

The assumption was and remains that there would indeed be a journal entry. The danger is always that the journal entry, the literary content, might move from mere explication to justification of the work. The visual interest and quality of the painting, as a painting, should be what make it interesting or otherwise, good or bad, no matter how recondite or abstruse its exigesis – or every Crucifixion or Annunciation or Triumph of the Red Army would be as good as any other. But Kitaj parades his learning unabashed, his bookishness, his art-historical enthusiasms, his philosophical and political obscurities, his louche fantasies and personal adventures. Every picture tells a story.

'This intellectual collage-making masks the ever more perfunctory nature of the paintings themselves'

At what point does the story-telling take over? Of his complex allegory, "If Not, Not" of 1976, he writes: "its sense of strewn and abandoned things was suggested by a Bassano painting, of which I had a detail, showing a ground after battle ... The general look was inspired by Giorgione's "Tempesta"... My journal reports a train journey someone took from Budapest to Auschwitz to get a sense of what the doomed could see through the slats of their cattle cars ... Since then, I've read that Buchenwald was constructed on the very hill where Goethe often walked with Eckermann."

It may seem gross to carp at such things, but this intellectual collage-making – which matches the collage-like technique of Kitaj's actual picture-making – masks repeatedly the ever more perfunctory and formulaic nature of the paintings themselves. "Oh how clever and thoughtful and serious an artist I am", he would seem to say, "and so how clever, serious and thoughtful my works must be." It doesn't follow.

The few paintings which are successful, and actually beautiful, such as the tall, thin figures of the mid 1970s, "the Arabist", "the Orientalist" and the "Smyrna Greek", are those which attempt a fuller resolution in the statement of the image, and a richer, more considered quality on the handling of paint and surface. In other words, they are more interesting as paintings. Perversely they serve only to point the technical emptiness of the rest, which amounts to drawing out and filling in.

The great Kitaj myth is that he is a consummate draughtsman. Rather he is a mannered and careful draughtsman, precious of surface effect in the use of pastel and charcoal. He looks to Degas, whose drawings "are one of those artistic achievements by which I measure all art", but shares none of that infinitely greater artist's sense of adventure before the model, takes none of his risks.

This retrospective is overdue for an artist of Kitaj's reputation. It is indeed an important show, though not perhaps in quite the way expected, re-evaluation rather than celebration. What is touching is his honesty, for there is no doubt that he believes in the significance of what he does. Here stands the Emperor in his innocent complacency, for us to see him in all his mortal fallibility.

R.B. Kitaj: A Retrospective; the Tate Gallery, Millbank SW3 until September 4, then on to Los Angeles and New York. Recent Pictures and Graphics 1974-1994; Marlborough Fine Art, 6 Albemarle Street W1, until August 20. A Print Retrospective; Victoria & Albert Museum, until October 9.

ARTS

Sweet Bird takes flight

***Paul Driver** on a new production at the National*

There were moments during Richard Eyre's new production of Tennessee Williams's *Sweet Bird of Youth* in the Lyttelton Theatre when the American accents affected by a predominantly British cast slipped so badly that I started fantasising about a production done unashamedly in English theatrical tones – a sort of Ascot Williams, full of Wildean pronunciation and poise, though without changing a word.

The power of the play certainly would not be dimmed and a point about its dogged universality would, perversely, be made. Better, at any rate, such bizarre stylisation than a performance in which the linguistic mask of raw passion is constantly being dropped and something like an Ealing comedy seems snickering behind every other vowel.

The worst offender is Richard Pasco's Boss Finley – Bible-bashing demagogue in the Southern American town of St. Cloud – whose public and private ranting passes muster but who cannot make his conversational tones convincing for a minute. Alison Fiske's Aunt Nonnie substitutes sobbing for speech tones, which is cheating a bit. Diane Langton's bar-propping southern belle, Miss Lucy, tries too hard with her accent and is often unintelligible; while Emma Amos as Boss Finley's pretty blonde but – so we discover – venereal daughter, Heavenly, is so measured of speech as to be incredible.

Robert Knepper in the male lead as Chance Wayne is, though, a native speaker and with his James Dean looks, prettily muscled torso, and his authentic air of twitching, fast-talking, last-ditch desperation, altogether appropriate in this gigolo role (originally taken by Paul Newman). But even he produces oddities of speech. Lost in the hotel of heartbreak, he twice at the end tells his client, the ageing film star Alexandra del Lago, "I couldn't go past my youth, but I've gone past it;" and each time emphasises the "it" (rather than "gone"), which does not quite work as an off-the-cuff allegorisation of the enemy Time.

Chance is a chancer indeed; but when his head is held to *the mirror by Alexandra and* she exclaims "Face it", I am not sure what I reckon to that particular pun: is it poetry or bathos? This would, of course, be a criticism of the text rather than the production. The text which Eyre uses is, however, specific to the production, compiled (as he writes) from five manuscript drafts, and considerably at variance with the Penguin edition.

It is, for instance, not clear whether Chance is the direct or only indirect agent of Heavenly's infection. The last scene, in which Alexandra's career is restored by the phone-call that seems to finish his hopes, and he remains in St. Cloud to face emasculation by Boss Finley's men, is altered in a way that toys with the idea of redemption.

There are strengths to Eyre's production – this final tableau suggesting purgation is perhaps one of them. I liked the indigo-violet sunset cyclorama, designed by Anthony Ward. Clare Higgins as Alexandra, *aka* The Princess Kosmonopolis, gives a wonderfully spirited and witty performance, her accent holding as she despatches such Dorothy Parkerisms as "I'm being used. Why not? Even a dead race horse is used to make glue."

Alastair Muir

Clare Higgins as Alexandra: a wonderfully spirited and witty performance

Celebration at the fairs

*Business in booming at both Grosvenor House and Olympia this year, reports **Susan Moore***

No one is more surprised than the *dealers. From* Grosvenor House and Olympia to the specialist Ceramics Fair at the Park Lane Hotel, the London art market is humming. Last year, visitors to the Grosvenor House Art and Antiques Fair idly inspected the odd item. But as the doors opened this year, and those at the head of the queue purposefully strode in, it was clear that business was about to be done.

It was clear, too, that the dealers were there to move their stock. Most seem to have decided that they can no longer afford to use Grosvenor House simply as a showcase. Gone are the £1m pictures, the £6m sculpture, bravura displays of suites of powder blue and gilt Austrian furniture. Truly exceptional works of art were relatively few, although Angela von Wallwitz was rewarded by showing her spectacular Meissen wine ewer in the form of a fantastical roaring beast. Modelled by J.G. Kirchner for Augustus the Strong's Japanese Palace in Dresden around 1728 and over half a metre high, this found a new home in the first two hours of the private preview.

Most stands appealed to the middle of the market and recorded a high turnover of less expensive items. Good "brown" English furniture was, as ever, the mainstay of the fair; Apter-Fredericks, for instance, sold half his stand on preview day. The demand for jewels and precious *objets d'art* appeared no less enthusiastic. By noon on the first day, New York-based A La Vieille Russie had achieved sales exceeding the total of their business at the 1993 fair and by the first weekend, silver dealers J.H. Bourdon-Smith had sold 30 exhibits.

Much to the dismay of the Jeremiahs, the long-overdue abolition of dateline restrictions this year did not alter the character of the fair. Instead it treated us to Yves Mikaeloff's appropriately surreal display of the petal-backed ebony armchairs that Sue and Marie created for a famous Paris perfumery in 1923, and the traditional likes of the Phillip de Laszlo portrait at the Christopher Wood Gallery. The most unexpected sight was the bare buttocks and suspenders of an Allen Jones tucked in among the old and modern masters at The Dover Street Gallery.

Far more dramatic was the transformation for the better of the appearance and quality of experience at the fair. George Carter's elegant, understated and unifying design gave the stands a more substantial feel (no more flimsy partitions) and substantially higher ceilings. Even the air conditioning seemed more efficient. The Grosvenor House Fair, which closes this Saturday at 6pm, could not have hoped for a better Diamond Jubilee.

Over at Olympia, the Fine Art & Antiques Fair could celebrate its 21st year too. Long considered the poor relation of Grosvenor House, it has gone from strength to strength, attracting ever more serious exhibits and visitors as well as finding room for more off-beat collectables.

Here, too, furniture and silver enjoyed an exceptional year – some even record sales. Silver dealers Marks Antiques, for example, sold a pair of Paul Storr wine coolers for around £40,000, and two rare James I goblets for the same sum. The fair drew a record 37,549 visitors – and purchases out of the Metropolitan and Berlin Museums.

A similar tale was told at the International Ceramics Fair which got off to a rip-roaring start on June 10. What was noticeable here, unlike Grosvenor House, was that all the really good things seem to have sold, mostly on the first day. English exhibits were far more interesting this year and the quality of the French porcelain as good as ever. Crucially, prices were more competitive too. It was the liveliest fixture in years.

Anyone doubting that it is still possible to find exceptional and relatively inexpensive works of art on the market should make a pilgrimage to Agnew's current show, Arte Sacra Antica (43 Old Bond Street, W1, until July 22). In pride of place among this small but choice group of 14th and 15th century panel paintings, illuminated manuscripts and *maiolica* hangs a "lost" crucifixion by Gentile da Fabriano, the leading Gothic painter in Italy. The panel, its gold ground overpainted, had been sold at Phillips in 1991, catalogued as workshop of Ugolino di Nerio, for £68,000.

The Crucifixion has been identified as the crowning panel of Gentile's partially reassembled "Valle Romita" altarpiece of 1410-12 in the Brera Gallery, Milan, where it was on display last year. Despairing of a sale, or perhaps to force the Italians' hand, the painting is on offer in London at £2.5m.

Manifesto for the masses

The best of miracles, said G.K. Chesterton, is that they sometimes happen. Possibly; but our own century's apparent miracles have a way of backfiring, or emerging as mountebank's legerdemain or the self-deluding optimism of the faithful.

Recent revivals of *A Doll's House* have reminded us of Ibsen's conviction that sexual equality would require a miracle in people's attitudes. And another great dream of our time, the Utopia formulated by communism in response to Marx's theories, is still wistfully or bitterly lingering in *the cold dawn of triumphant* market forces. *Manifesto* at Battersea Arts Centre, aptly installed in the paternalistically self-assertive architecture of the old town hall in Lavender Hill, is a threnody for communism that almost turns into the kiss of life.

Volcano Theatre Comany, directed by Nigel Charnock, presents physical, stylised performance. They have adapted work by Steven Berkoff and Tony Harrison but for their latest show has no specific author. *Manifesto* draws from sources as diverse as Arthur Koestler and the Dadaists; the French Revolution and Mayakovsky; above all, Marx and Engels.

A sloping ramp like an indoor ski-track is manipulated in the course of this 75-minute exercise. The company comprises four men and two women who play with lithe grace, sinewy elegance and a mixture of menace and irony. At times the text becomes a kaleidoscope of the clichés of political jargon. All sides are given a hearing or, if you prefer, allowed to condemn themselves: revolutionaries, fat cats, liberals, reactionaries, artists and philistines. Other certainties besides death and taxes emerge: that the bourgeoisie ultimately gets clobbered by everyone; and that no Lloyds name should underwrite a creative artist in times of social upheaval.

Images and music range from dancers spouting dialectic as they niftily execute Fred and Ginger numbers; and a prisoner's blindfolded eyes as they no less niftily execute him. Words include first-person recollections of political violence against the bosses of industry, and the pleasantly materialistic credo of a successful businesswoman.

After about an hour the elegiac tone for the Utopia that never was leads to an apparent ending and applause. The actors sidle back, glaring at the audience, pretending to spot such contemptible types as the "Guardian-reading pseudo-feminist new man radical", though mercifully not the costive, jaded note-scribbling Financial Times theatre critic. The company has a gift for the striking tableau, the acrobatic tumble, the sculptural grouping. Nothing much is settled, nothing finalised, no decision reached, except perhaps that revolutionary politics is still a primal soup from which something terrible or beautiful or ploddingly mundane may come. The sad little realisation, perhaps, that man is a competitive creature; collectivity is not in the nature of the beast. Full marks for vigour, freshness and passion. I am still not sure about the miracle.

Martin Hoyle

Chess No 1026

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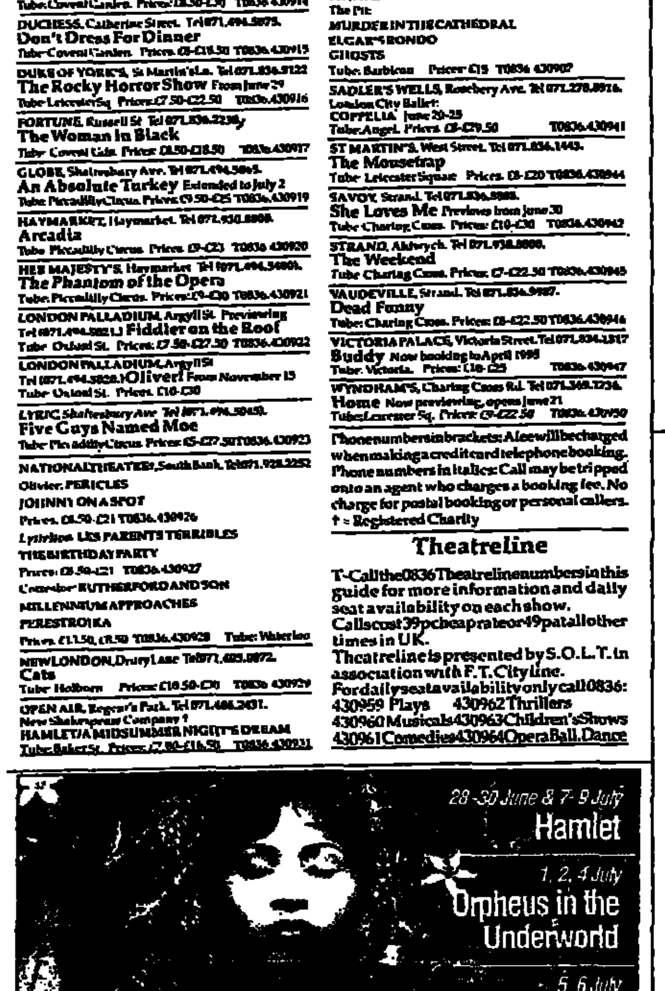
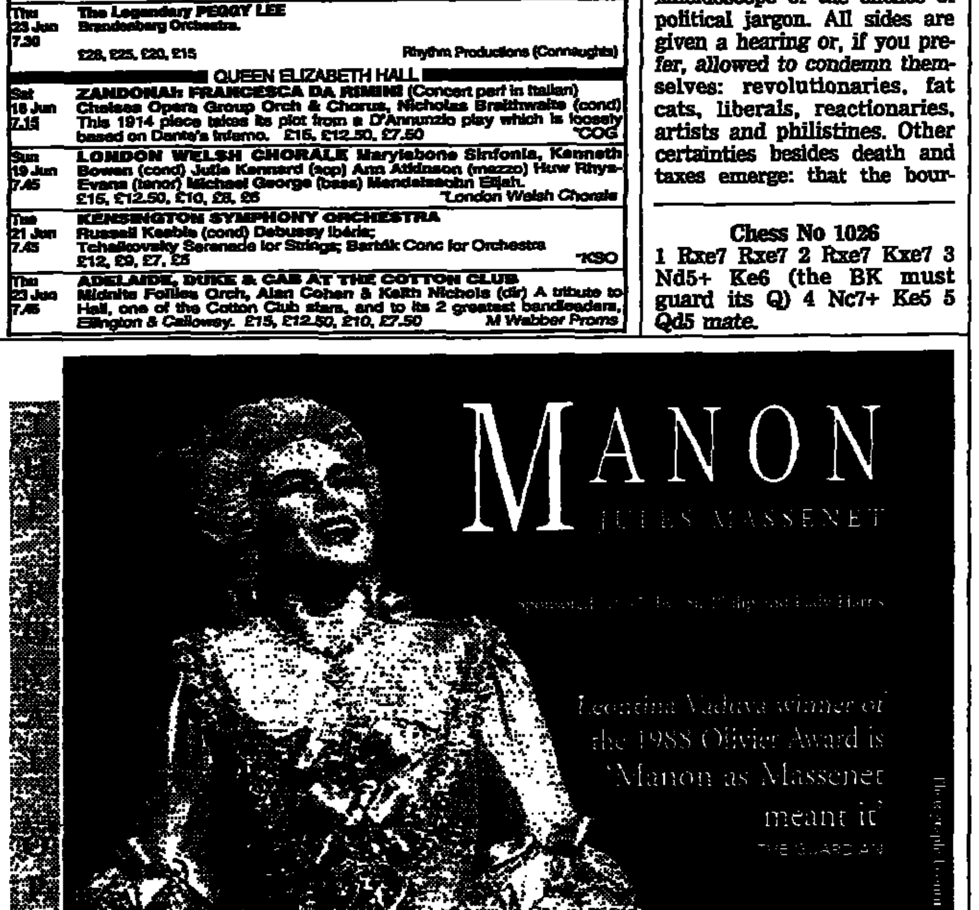




White man's black hero

Trevor Phillips on a flawed view of a controversial American writer

It was the glossy black weekly Ebony which christened James Baldwin "The Angriest Young Man" in 1961. But it was his appearance on the cover of the "white" Time magazine, and an adoring interview on CBS TV prime time news, that established the most successful black writer of the early 1960s as a household name in the US. The radical firebrand was created not on the black campuses of America, nor on the streets of northern ghettos but in the minds of white New York liberals.

White America came to believe that Baldwin spoke for the restless black masses. But the truth is that Baldwin never had the credibility, the staying power or, ultimately, the courage for the role.

Unfortunately David Leeming, who was his "secretary" – a minder, nurse, and fixer – between 1964 and 1967, subscribes to the myth. But it takes an enormous feat of self delusion to sustain the notion of Baldwin as black hero through 400-odd pages.

He was born in Harlem in 1924 and became one of Harlem's many precocious boy preachers, able to move crowds with his righteous fervour. It is no accident that his most famous essay title came from the biblical warning: "God gave Noah the rainbow sign – no more water, the fire next time".

Harlem was then a ferment of political and artistic life. Baldwin sang a little and had a flirtation with Trotskyite politics as an adjunct to a love affair. But the uneasy awareness of his homosexuality, his evident preference for the company of white schoolmates over black, and his appearance – bulging eyes and a mincing gait – kept Baldwin on the edge of Harlem life. Neither an athlete nor a brilliant scholar, he was headed for life as a storefront preacher or a minor hoodlum. It was the black artist Beauford Delaney who first introduced him to the world of painters, musicians, writers and their white patrons.

Leeming seems embarrassed by Baldwin's homosexuality, presumbably because it fatally complicates his position as a spokesman for a community that is notoriously uneasy about what it considers to be deviant sexual behaviour. Baldwin was famously promiscuous, yet Leeming feels obliged to tell us several times that his relations with particular men were "platonic but profound". Baldwin's alchoholism, his chronic self-pity and his feeble attempts at suicide are equally glossed over.

But it is the failure to tackle the issue of Baldwin's authenticity that is most disappointing here. Baldwin never really mixed with black people except as a celebrity or perhaps as a kind of tourist. Most of his students were white, as were his closest friends. He was greeted coolly by Martin Luther King, who distrusted his dilettantism and disliked his explicit depiction of homosexuality in *Another Country*. Richard Wright, the activist author of the classic *Native Son*, engaged in a lifelong argument with Baldwin about "protest writing"; Wright thought of Baldwin as a pretentious cop-out. The greatest of black American poets, Langston Hughes, accused Baldwin of confusion, saying his "viewpoints are half American, half Afro-American, incompletely fused".

Baldwin's contribution to civil rights was in making whites feel guilty. At dinner parties he would harangue them about their racism, then invite himself to their country homes. He would whinge that a "gifted man ... is burdened with his gift." And he would shout at whites even on first meeting, "where were you when Martin died?" This was all the more ironic since Baldwin himself contrived to be somewhere else when the battle was at its hottest.

America semed to offer him little scope as a writer and he fled to Paris in 1948 – the first of several such excursions which continued until 1971 when he finally settled in the South of France. So when Rosa Parks triggered the Montgomery bus boycott by refusing to move to the back seats, Baldwin was in Paris.

Later when the black radicals led by Stokely Carmichael took the initiative, leading to the rise of the armed militants in the Black Panther movement, he was in Turkey. When Malcolm X was shot, in the Audubon ballroom in New York, Baldwin was elsewhere.

Leeming suggests that Baldwin's remoteness from the struggle may have had something to do with an artist's sensibility. Asked by Marlon Brando to attend a protest meeting he refused, saying he was "emotionally unable" to come. Norman Mailer assessed him as "too charming to be major". In the end, even his considerable mastery of language let him down. His last two books were all but unreadable. He died, as ever, away from the action in the South of France in 1987.

JAMES BALDWIN: A BIOGRAPHY
by David Leeming
Michael Joseph £20, 443 pages

■ *Trevor Phillips is head of current affairs at London Weekend Television*

Anna Karina in Jean-Luc Godard's 'Vivre Sa Vie' (1962). Although acknowledged by the British Board of Film Censorship as "a very fine film", four minutes were cut for fear that Godard's detached look at prostitution might encourage voyeurism and "provoke critical comment" outside London. From 'Censored', Tom Dewe Mathews' survey of film censorship in Britain from 1896 to today (Chatto & Windus, £14.99 paperback, 296 pages).

Partisans of the pitch

Behind every kick Peter Aspden finds raging debates on nationhood

Sport, as the coming weeks will remind us, is one of the last refuges of the knee-jerk, politically incorrect national labelling which used to be the staple of TV sitcoms and post-prandial discussions in any gentleman's club of your choice. In no other field of activity can one get away with references to languid Africans, jumpy Italians, cynical Uruguayans and those determined, never-say-die Germans who will keep spoiling the carnival. Yet where would today's football commentator be without access to this priceless database of cheap stereotypes?

Simon Kuper's perceptive and highly entertaining account of his travels round the soccer world puts some of these fervently-held beliefs about national behaviour to the test, and finds that behind every kick of a football, there lies a raging existential debate on citizenship and nationhood.

Bill Shankly's pallid aphorism on life, death and Pelé's beautiful game would find some unlikely followers among Kuper's animated cast of characters: there is Professor Dr L. de Jong, sober historian of the Netherlands during the second world war, happily admitting to dancing round the room when the Dutch side score; on a summer night in 1988, he watched nine million of his "staid" compatriots – more than 60 per cent of the population – parade round the streets to celebrate the nation's 2-1 victory over West Germany in a European Championship semi-final. In the centre of Amsterdam, bikes were thrown into the air in symbolic revenge for the theft, during the Occupation, of all the city's cycles by the German army. After the match, the Dutch captain, Ronald Koeman, admitted to using his opponent's swapped shirt as toilet paper; the beautiful game, indeed.

Travelling to Africa, Kuper meets Professor Paul Nkwi, a Cameroonian anthropologist, who floats his theory that Anglophone Africans are much more likely to succeed in European clubs than their Francophone counterparts as they are more used to the overt racism of British colonisation and have not been deceived by the French rhetoric of equality. Less sophisticated analysts argue that the raw talent of home-grown stars is dissipated in the wealthy North by the over-emphasis on organisation. The country, in the meantime, continues to bask bizarrely in the glories of Italia '90; a rare clothes emporium in Yaoundé is called "Bobby Robson" after the man who engineered – well, stood on the sidelines and watched – their exit from the tournament.

It is no great surprise that Kuper finds the most skilful football (as well as another extemporising anthropologist) in Brazil. "When our national team plays, we feel that the identity of our country is being played out on the field. Our values are being shown to the world," theorises his reflective academic, Luis Eduardo Soares. While Graham Taylor waits until he can look another turnip in the eye, he may do well to ruminate on the fate of some of his Brazilian counterparts: Claudio Coutinho, for example, whose effigy was burned by fans on the very day Brazil reached the second round of the 1978 World Cup, for playing sacreligiously boring football.

FOOTBALL AGAINST THE ENEMY
by Simon Kuper
Orion £14.99, 223 pages

Kuper's most extraordinary encounter is with a fan; a very serious fan indeed. Helmut Klopfleisch was a 13-year-old supporter of Hertha Berlin when the Wall went up and separated him from his beloved team. At first, he joined a group of East Berlin Hertha fans next to the wall, listening to, and echoing, the cheers from across the great divide. But when the club moved westwards and out of earshot, he and his fellow non-travellers had to content themselves with clandestine monthly meetings of the "Hertha Society" in the back rooms of cafés.

Soon, the boundaries between supporting a Western team in the East and becoming an outright political dissident became irrevocably blurred. Klopfleisch's activities attracted the attentions of the Stasi, who opened a file. "(Klopfleisch's) family tries to use all opportunities to experience Bundesliga teams live," it warned ominously. Klopfleisch, resentful and more subversive by the day, began to extend his support for any Western club playing in the Eastern bloc; "K. possesses a politically labile stance," countered the file. Friendly "discussions" soon turned into arrests; once, for presenting a toy Berlin bear to a bemused Franz Beckenbauer, and again, for sending a good-luck telegram to the West German team.

Klopfleisch was allowed to emigrate in 1989. Months later, the Wall came down. He now watches Hertha, but with half the passion he felt during his years of ostracisation. It is a sad, grey story, a million miles from the screaming colours of Rio or the ticker-tape snowfalls of Buenos Aires, and on a different planet altogether from the commercial frenzy of the next four weeks; a football story, nonetheless.

The peak of her career

It turns out to have been a well-kept secret. But few who know her well doubt that Rebecca Stephens has a fascinating tale to tell of how a beautiful upper-middle class English woman became the first Briton of her gender to make it to the top of the world's highest mountain.

With few big climbs under her belt she is disarmingly frank about her lack of climbing experience. Up to the very moment of her Everest triumph with the aid of bottled oxygen on May 17 1993, two Sherpas at her side, she does little to hide her reliance on other team members – an act of humility of which the average macho male mountaineer would be incapable.

But for most of the book she is less forthright. There is no mention of the startling fact that the famous picture of her on the summit of Everest with her two Sherpa colleagues was in part a fabrication. Virtually every newspaper published it but that flag – with the carefully delineated initials of her main sponsor, DHL, flying from her ice-axe – was taken not at 29,028 feet but at ground level, and patched in afterwards in England. As one of her Everest expedition colleagues put it later: "To some extent you can sell your soul to your sponsors."

In a sport traditionally associated with amateurism the issue has become even more controversial since last autumn's phenomenal increase in peak fees charged by the Nepalese government. The result has been that Everest by the traditional South Col route has become almost exclusively the preserve of commercial expeditions who charge their clients up to $65,000 per person for the privilege of being guided up. When Stephens launched her attempt by the same route in spring 1993 the writing was already on the wall; some 85 people climbed the mountain in the five weeks prior to her ascent, 13 of them women.

It would be churlish to fault the author for her decision not to elaborate on her sometimes stormy romantic relationship with the colourful and often controversial, John Barry, leader of the 15-person expedition that put her on top of Everest. But one longs for a detailed description of her more unusual team members. Where, for example, is the portrait of the acerbic and powerful Bill Barker – a man central to the history of the still unclimbed North East ridge of Everest – and where the tale of Joe Smith, who missed his flight in Moscow and spent three days trying to get out of Llubianka prison to join his fellow climbers on the expedition?

Indeed the central dramatic moment of the DHL Everest expedition – Harry Taylor's oxygenless ascent on May 10 and his epic struggle to stay alive afterwards – is given surprisingly short space. There is hardly a quote from this highly regarded former member of the SAS who nearly died just a few hundred yards above Stephens' and Barry's tent on the South Col, bringing her first summit attempt to a fearful and abrupt end. Nor is there a mention by name or nationality of the two heroic but angry Basques who left their own tent that night to drag the blind, frost-bitten climber down to a perilous kind of safety at 26,000 feet.

Less than a week later our heroine's own defining moment – the debate over whether she should make a second summit attempt or not – is described in a way that is a model of diplomacy and possibly naivety. With the weather looking threatening and her climbing partner out of action because of his efforts to rescue Harry Taylor, all but John Barry argued strongly in private that she should descend – a fact of which she seems to have been unaware. That she chose instead to go back up is history and true testament to Rebecca Stephen's courage and tenacity.

ON TOP OF THE WORLD
by Rebecca Stephens
Macmillan £14.99, 196 pages

BEYOND THE LIMITS
by Stacy Allison with Peter Carlin
Little, Brown £16.99, 282 pages

Although twice in her account she refers to coarse remarks suggesting she had no chance of succeeding, she gives little or no space to discussion of "the woman's role" in the highly masculine world of Himalayan mountaineering. One suspects that for Stephens feminism is not an issue. And there is certainly no soul-searching about the nature of mountaineering or the universe for her.

In sharp contrast Stacy Allison reveals all you ever wanted to know and more in her enthralling account of the first American female ascent of Everest in 1988. She bares her soul, her life, her climbs and loves, as perhaps only an American could.

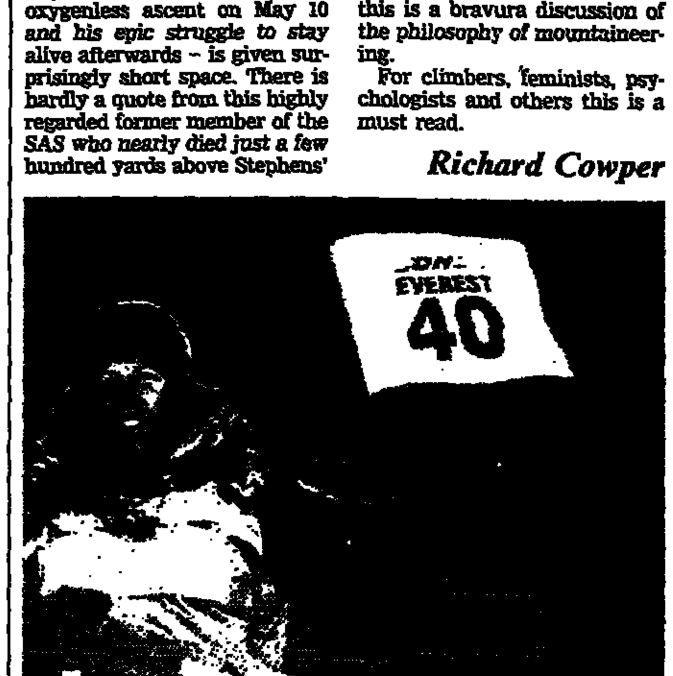
In occasionally embarrassing detail, she gives us an account of a life, seemingly one long battle between the sexes, on and off the mountain.

She tells of the blond god Scott Fisher; Sue "killer" Giller, the macho maiden; of how her own mother was deserted by her drunken father; how her husband beat her up; and how she manoeuvred to beat her female colleague to get to the top of Everest first.

She tells too of how a French expedition hurled its dead sherpa off Everest in front of her; and how she combatted the expedition leader's chauvinistic half-truths after the climb. And top place goes to her pride in her achievement of becoming a woman housebuilder. Interspersed with all this is a bravura discussion of the philosophy of mountaineering.

For climbers, feminists, psychologists and others this is a must read.

Richard Cowper



Rebecca Stephens on top of Mount Everest – and that flag

Fiction/Anthony Curtis

History with a pinch of salt

Alan Massie in *The Ragged Lion* says: "Novelists after all are liars. We seek to persuade our readers that an imaginary event has the force and significance of the real world...", or rather he puts those words into the mouth of Sir Walter Scott.

Massie is himself a liar in the above sense because he pretends to have discovered a lost manuscript by Scott that he is transcribing from a faded parchment. He confesses to a measure of scepticism about the authenticity of this manuscript now to be made public for the first time. It reached him (he says) from an Italian contessa to whom he gave English conversation lessons in Naples in 1964. She in turn is supposed to have inherited it from her great-grandmother who had an extra-marital affair with Scott's son Charles, its first owner.

Massie gets around the main stumbling-block to his strategy by suggesting that when Lockhart came to write his life of Scott he used the original of this manuscript but suppressed those parts of it he considered discreditable to Scott, and then destroyed it, unaware of the copy.

Here, then, is an unauthorised life of the laird of Abbotsford by a modern Scottish novelist of great distinction. It is a quietly enjoyable read. Massie is outstanding for his use of fiction as a commentary on history and contemporary society. His novel about Vichy France was called *A Question of Loyalties*, which would do just as well as a title here.

THE RAGGED LION
by Alan Massie
Hutchinson £15.99, 240 pages

OLIVER'S TRAVELS
by Alan Plater
Little, Brown £15.99, 315 pages

Massie presents a stalwart Scottish patriot who had a catch in the throat when he spoke of the 'Fifteen and the 'Forty-Five, yet has a similar fierce pride in arranging the ceremonial for the royal visit to Scotland of 1822. Scott comes across as a born Tory with many Whig friends and attitudes; a lawyer who became a poet – a rhymester and balladeer who invented the historical prose novel – to mention but a few of the contradictory loyalties Massie uncovers. He delights in the pride Scott took in administering his own huge estate, his sense of creating a truly hierarchical community there. If Border Country was Scott's location it is also Massie's, who since 1982 has lived six miles away from Abbotsford.

The novel is scant of plot, but is correspondingly strong on ideas. Hubris comes when Scott lost his entire fortune in the collapse of the Ballantyne printing works in which he had invested heavily. Massie shows him recalling the intricacies of this disaster and his recovery from it. More original is a supernatural strand that Massie weaves into the tapestry involving a ghostly manifestation in a murky close in Edinburgh Old Town where the hero suffers remorse for his past in a head-on confrontation with a childhood phantom.

Alan Plater was born in Hull and made his name a quarter of a century ago with his script *Close the coalhouse door*. It was a lively entertainment that unfolded the troubled mining history of the North East in the Joan Littlewood musical style.

Since then Plater has had dozens more successful scripts and novels to his credit. His latest picaresque novel *Oliver's Travel's* follows a former university lecturer with a passion for anagrams moving around Britain on the trail of some very unsavoury operators, and partnered by a policewoman suspended from duty. Their happy plight is clearly modelled on the pair handcuffed together in Hitchcock's *Thirty-Nine Steps* movie (the earliest version). The text is both stiff with wisecracks and soggy with nostalgia but in spite of this Plater keeps his show on the road and leaves us in no doubt of his disgust at the current state of the nation.

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Felix the Cat. 7.45 Joe 90. 8.10 The Legend of Prince Valiant. 8.35 Round the Twist. 9.00 Parallel 9. 10.52 Weather.

10.55 Grandstand. Introduced by Bob Wilson. 11.00 Cricket: Second Test. England v New Zealand. 1.00 News. 1.05 Football Focus: World Cup news. 1.30 Tennis: The finals of the Volkswagen Cup. 1.55 Racing from Ascot: The 2.00 Ritz Club Fern Hill Rated Stakes. 2.05 Tennis and Cricket. 2.25 Racing: The 2.30 Albemarle Handicap Stakes. 2.35 Tennis and Cricket. 2.55 Racing: The 3.00 Ladbroke Handicap Stakes. 3.05 Tennis and Cricket. 3.30 Racing: The 3.35 Churchill Conditions Stakes. 3.40 Tennis and Cricket. 4.20 World Cup '94: Live coverage of USA v Switzerland from the Pontiac Silverdome in Detroit. 6.20 News Round-Up. Times may vary.

6.30 News.

6.40 Regional News and Sport.

6.45 Pop Quiz. Kenny Thomas, Rick Parfitt and Kim Appleby pit their wits against Kelly Overett, Francis Rossi and Stuart Adamson in the music game.

7.15 Hit the Road. Celebrity guests Judi Spiers, Bob Carolgees, Yvette Fielding, Neil Fox, Ian St John and Gordon Kennedy visit Scotland to undertake a host of bizarre tasks.

7.55 The Paul Daniels Magic Show. Mystery and illusion, including a demonstration of kinetic energy and a display of gunslinging skills from Bob and Becky Munden. Last in series.

8.45 Film: Days of Thunder. Racing car drama, starring Tom Cruise as an arrogant young driver out to seize the champion's crown. With Robert Duvall and Nicole Kidman (1990).

10.25 News and Sport; Weather.

10.45 Wax Uncut. The uncensored version of Ruby Wax's interview with Hollywood actor Billy Crystal.

11.15 Cricket: Second Test. England v New Zealand. Today's play from Lord's.

11.45 World Cup Grandstand. Colombia v Romania. Live coverage from the Rose Bowl, Pasadena. The enigmatic South Americans meet the temperamental east Europeans, last-gasp conquerors of Wales in the qualifiers. Plus, highlights of Ireland's first game against Italy, and USA v Switzerland.

2.30 Weather.

2.35 Close.

BBC2

6.00 Open University. 12.15 pm Burke's Backyard.

1.15 Time with Betjeman. The former Poet Laureate recalls his father, and discusses subjects ranging from Francis Kilvert's diaries to the architecture of East Anglian churches. Last in series.

2.05 The 7th Eurovision Competition for Young Musicians. Humphrey Burton introduces the proceedings as the eight entrants, chosen from 24 European nations including Croatia, Macedonia and Slovenia, compete in the final from the Philharmonic Concert Hall in Warsaw.

4.15 Cricket: Second Test. England v New Zealand. Further live coverage of the third day. Subsequent programmes may run late.

6.30 Standing Room Only. Simon O'Brien and England star Graeme Le Saux present a World Cup special, taking a behind-the-scenes look at the most popular of all international sports.

7.05 Scrutiny. Anne Perkins investigates the rise in racially motivated attacks, which have doubled in England and Wales over the past five years, and asks what can be done to reverse this disturbing trend.

7.35 News and Sport; Weather.

7.50 BBC Design Awards. Muriel Gray and a panel of experts visit Japan, Spain and locations throughout the UK to choose five outstanding examples of British architecture. Last in series.

8.30 Golf: US Open. Steve Rider introduces live coverage of the third round from Oakmont, Pennsylvania. Commentary by Peter Alliss, Alex Hay and Dave Marr.

11.10 Seinfeld. Jerry is intrigued when a mystery woman leaves a sexy message on a tape recording of his show, and sets out to discover the culprit's identity.

11.35 Washington Behind Closed Doors. CIA boss William Martin has a showdown with President Monckton and proposes a cynical deal to ensure the survival of both their careers. Last in series.

1.40 Close.

LWT

6.00 GMTV. 9.25 Gimme 5. 11.30 The ITV Chart Show. 12.30 pm Opening Shot.

1.00 ITN News; Weather.

1.05 London Today; Weather.

1.10 NBA Basketball.

2.00 International Rugby Union. Highlights of Fiji v Wales, plus analysis of the four home nations' performances on their summer travels.

3.00 Movies, Games and Videos. Reviews of new cinema release Angie, starring Geena Davis and Stephen Rea, and the recent crop of football-orientated games.

3.30 Cartoon Time.

3.45 Murder, She Wrote.

4.45 ITN News; Weather.

5.00 London Today; Weather.

5.15 Bullseye. Jim Bowen asks the questions and guest Ronnie Baxter throws for charity in the darts-based quiz.

5.45 Baywatch.

6.40 Stars in Their Eyes.

7.25 The Brian Conley Show. Veteran American rocker Alice Cooper joins Brian Conley for another edition of the comedy and music showcase. Last in series.

8.10 You've Been Framed.

8.50 World Cup '94. Italy v Ireland from Giants Stadium in New York, plus highlights of the USA's clash with Switzerland in Detroit. Presented by Matthew Lorenzo, with commentary by Brian Moore and Ron Atkinson.

11.05 ITN News; Weather.

11.15 London Weather.

11.20 Tour of Duty.

12.15 The Big E.

1.15 Get Stuffed; ITN News Headlines.

1.20 Gaz Top Non Stop.

2.20 New Music.

3.20 Get Stuffed; ITN News Headlines.

3.25 Cinema, Cinema, Cinema.

3.55 BPM.; Night Shift.

5.00 Hot Wheels.

CHANNEL4

5.00 4-Tel on View. 6.35 Early Morning. 10.00 Trans World Sport. 11.00 Gaelic Games. 12.00 Sign On: Your Views. 12.30 pm People First.

1.00 Film: The Divorce of Lady X. A nobleman's daughter wins a stuffy lawyer's heart by posing as a divorcee. British screwball comedy, starring Laurence Olivier (1938).

2.40 Film: The Dark Angel. A first world war officer hides the fact that he has been blinded in combat and tries to ensure his fiancée's happiness by persuading her to marry another man. Frederic March stars (1935).

4.35 Rarg. Animation.

5.05 Brookside; News Summary.

6.30 Blind Twins. Film following the everyday problems faced by two 40-year-old blind brothers forced to look after themselves when their mother falls ill.

7.00 Beyond the Pale. Pilot episode. Studio discussion in which a 40-strong audience from a range of backgrounds debates the week's main issues.

8.00 The Sexual Imperative. What factors determine the number of offspring in a litter, and why some animals are immediately independent from birth.

9.00 NYPD Blue. The squad investigates the murder of a priest whose body is found in a notorious haunt of male prostitutes. Sipowicz re-opens an old case. Last in series.

10.00 The Unpleasant World of Penn and Teller. Another chance to enjoy macabre illusions by the cult American duo. With Dawn French.

10.30 Film: Cold Comfort. A psychotic truck driver kidnaps a businessman as a birthday present for his 18-year-old daughter. Bizarre thriller, with Maury Chaykin (1989).

12.00 Late Licence.

12.10 Herman's Head.

12.40 Just for Laughs.

1.15 Naked City.

2.00 Stereo MC's: Connected.

3.00 Beavis and Butt-Head.

3.30 True or False.

4.00 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
12.30 Movies, Games and Videos. 1.05 Anglia News. 1.10 Cartoon Time. 1.30 Nigel Mansell's IndyCar '94. 3.00 The Greatest American Hero. (TVM 1981) 5.00 Anglia News and Sport 11.20 Anglia Weather. 11.25 Vengeance: The Story of Tony Cimo. (TVM 1986)

BORDER:
12.30 Movies, Games and Videos. 1.05 Border News. 1.10 Rocksport. 1.30 Nigel Mansell's IndyCar '94. 3.00 Hero. (1986) 4.35 Cartoon. 4.55 Border News and Weather 5.05 Cartoon Time. 11.25 Vengeance: The Story of Tony Cimo. (TVM 1986)

CENTRAL:
12.30 America's Top 10. 1.05 Central News 1.10 Movies, Games and Videos. 1.40 Rocksport. 3.00 WCW Worldwide Wrestling. 3.50 MacGyver. 5.00 Central News 5.05 Cartoon Time. 11.15 Local Weather. 11.20 Puppet on a Chain. (1970)

CHANNEL:
12.30 Heidi. 1.05 Channel Diary. 3.00 Nigel Mansell's IndyCar '94. 3.30 The A-Team. 4.30 Cartoon Time. 5.00 Channel News. 5.05 Puffin's Pla(i)ce. 5.10 Cartoon Time. 11.20 Tilt. (1978)

GRAMPIAN:
12.30 Cruinne Ce. 1.05 Grampian Headlines 1.10 Telefios. 1.40 Rocksport. 3.00 Nigel Mansell's IndyCar '94. 3.30 Adventure. 4.00 Superstars of Wrestling. 5.00 Grampian Headlines 5.05 Grampian News Review. 11.20 Grampian Weather. 11.25 Vengeance: The Story of Tony Cimo. (TVM 1986)

GRANADA:
12.30 Movies, Games and Videos. 1.05 Granada News 1.10 Rocksport. 1.30 Nigel Mansell's IndyCar '94. 3.00 Hero. (1986) 4.35 Cartoon Time. 4.55 Granada News 5.00 Cartoon Time. 11.25 Vengeance: The Story of Tony Cimo. (TVM 1986)

HTV:
12.30 World Cup Hall of Fame. 1.05 HTV News. 1.10 Nigel Mansell's IndyCar '94. 1.40 Cartoon Time. 3.00 Harris Down Under. (TVM 1988) 5.00 HTV News. 5.05 Cartoon Time. 11.20 HTV Weather. 11.25 Vengeance: The Story of Tony Cimo. (TVM 1986)

MERIDIAN:
12.30 Heidi. 1.05 Meridian News. 3.00 Nigel Mansell's IndyCar '94. 3.30 The A-Team. 4.30 Cartoon Time. 5.00 Meridian News. 5.10 Cartoon Time. 11.20 Tilt. (1978)

SCOTTISH:
12.30 The Champions. 1.05 Scotland Today. 1.10 Telefios. 1.40 Cartoon Time. 3.00 Miles to Go. (1986) 5.00 Scotland Today 5.10 Cartoon Time. 11.15 Scottish Weather. 11.20 Day of Terror, Night of Fear. (1978)

TYNE TEES:
12.30 Movies, Games and Videos. 1.05 Tyne Tees News. 1.10 The Munsters Today. 1.35 Zorro. 3.00 Condorman. (1981) 4.55 Tyne Tees Saturday 5.10 Cartoon Time. 11.20 The Thief Who Came to Dinner. (1973)

WESTCOUNTRY:
12.30 Movies, Games and Videos. 1.05 Westcountry News. 3.00 Nigel Mansell's IndyCar '94. 4.00 The A-Team. 5.00 Westcountry News. 11.25 Vengeance: The Story of Tony Cimo. (TVM 1986)

YORKSHIRE:
12.30 Movies, Games and Videos. 1.05 Calendar News. 1.10 The Munsters Today. 1.35 Zorro. 3.00 Condorman. (1981) 4.55 Calendar News. 5.10 Cartoon Time. 11.20 The Thief Who Came to Dinner. (1973)

SUNDAY

BBC1

30 Johnson and Friends. 7.40 Playdays. 8.00 ...lling Tales. 8.15 Breakfast with Frost. 9.15 Faith ... Faith. 9.30 This is the Day. 10.00 See Hear ...25 Computing for the Less Terrified. 10.55 ...ricket: Second Test; Weather for the Week Ahead.

0.55 Cricket: Second Test. England v New Zealand. Coverage of the fourth day's play from Lord's; Weather for the Week Ahead.

2.30 News.

2.35 On the Record.

1.30 EastEnders.

2.50 Film: Perry Mason: The Case of the Posthumous Painter. The sleuthing attorney is drawn into a world of deception and fraud while investigating the murder of a wealthy artist. Whodunnit, starring Raymond Burr (1992).

4.20 Biteback.

5.00 Jim'll Fix It. A 12-year-old London pianist obsessed with Mozart visits his idol's former home in Vienna and gets to play one of the great composer's pieces.

5.30 Masterchef. Robert Carrier and Sue Lawley judge the culinary efforts of contestants from Cambridgeshire, Lancashire and Edinburgh.

3.05 News.

3.25 Sweet Inspiration. Terry Waite talks to Alan Titchmarsh about his childhood, incarceration in Beirut and subsequent return to England.

7.00 Last of the Summer Wine.

7.30 That's Life All Over! Esther Rantzen is joined by special guests Wet Wet Wet and Victoria Wood for the final edition of the consumer programme, in which she reflects on its 21-year history and presents updated information on some of the main campaigns.

1.50 Love on a Branch Line. Jasper's assignment is put on hold when Lord Flamborough's three promiscuous daughters begin vying for his attention. Michael Maloney and Graham Crowden star.

1.40 News and Weather.

1.55 Mastermind.

1.25 Heart of the Matter. Joan Bakewell examines attempts to eradicate racial hatred, and reports from Boston on how severe penalties are proving effective in reducing race-related crime.

.00 Cricket: Second Test. England v New Zealand. Highlights of the fourth day's play.

.40 World Cup Grandstand. Cameroon v Sweden.

.30 Weather.

.35 Close.

BBC2

8.15 Open University. 9.10 Fiddley Foodle Bird. 9.25 Space Vets. 9.40 Fievel's American Tales. 10.05 The Movie Game. 10.30 Grange Hill. 10.55 FOT. 11.20 White Fang. 11.45 The O Zone. 12.00 Around Westminster.

12.30 Sunday Grandstand. Introduced by Sue Barker. 12.35 Cricket: Second Test. England v New Zealand. 1.05 Football Focus: World Cup preview. 1.15 Motor Sport: The British Touring Car Championship. 1.40 Cricket. 3.40 Tennis: A look ahead to Wimbledon '94. 4.00 Cricket. 6.00 Tennis. Times may vary. Subsequent programmes may run late.

7.00 Beachwatch. Howard Stableford introduces highlights from last week's five films taking a close-up look at the everyday activities of the bustling seal and tern colonies inhabiting a stretch of the north Norfolk coast. With Chris Packham, Sheila Anderson, Martha Holmes and Simon King.

7.40 The Bloke Next Door. Chancellor Kenneth Clarke, the man hotly tipped by some observers to become the next Conservative prime minister, talks candidly about his life, beliefs, family and career ambitions. In a rare informal interview, he also reveals his love of jazz, beer, birdwatching and football, and recalls past ministerial battles which have earned him a reputation as a tough political opponent and economic policy-maker, unflinching even when forced to introduce the biggest tax increases this century.

8.30 Golf: US Open. Steve Rider introduces live coverage of the final round from Oakmont, Pennsylvania, as Europe's leading players continue their attempt to break the traditional American stranglehold on the tournament, and make a bid for the second major of 1994. Commentary by Peter Alliss, Alex Hay and Dave Marr. Subsequent programmes may run late.

11.10 Moviedrome. Introduction to tonight's cult film.

11.20 Film: The Harder They Come. Jimmy Cliff stars in this Jamaican drama as a country boy who gets involved in crime when he travels to Kingston in search of reggae stardom. With Carl Bradshaw (1973).

1.05 Close.

LWT

6.00 GMTV. 9.25 The Littlest Hobo. 10.15 Link. 10.30 Sunday. 11.00 Morning Worship. 12.00 Sunday. 12.30 pm Crosstalk; London Weather.

1.00 ITN News; Weather.

1.10 The Judy Finnigan Debate.

2.00 The Entertainers. Tribute to Born Free star Bill Travers.

2.30 Film: The First of the Few. Biographical account of R.J. Mitchell, the man who foresaw the coming of the second world war and developed the Spitfire aeroplane. Leslie Howard and David Niven star (1942).

4.35 Highway to Heaven.

5.30 The London Programme. The disturbing number of council tenants who die in their homes but remain undiscovered for long periods of time.

6.00 London Tonight; Weather.

6.20 ITN News; Weather.

6.30 Through the Keyhole.

7.00 Mother's Ruin.

7.30 Surprise! Surprise!

8.30 Cadfael. The medieval sleuth investigates when a wealthy landowner is found murdered shortly after disinheriting his son. Derek Jacobi stars. Last in series.

10.00 The House of Windsor. The Buckingham Palace staff are shocked by startling revelations in a new book about the Royal Family. Comedy, starring Leslie Phillips and Warren Clarke.

10.30 ITN News; Weather.

10.40 London Weather.

10.45 Around the World in 74 Days. Cameras follow the crew of the catamaran Enza, who battled against the elements to set a new record for circumnavigating the globe.

11.15 The Making of Dances with Wolves. Behind the scenes of the epic Western which scooped seven awards at the 1991 Oscars, including Best Picture and Best Director.

11.45 The Restaurant Show. Bruce Burgess visits North Yorkshire's Black Bull Inn, and joins Loyd Grossman for lunch at Harvey Nicols.

12.15 Married – With Children.

12.45 Cue the Music; ITN News Headlines.

1.45 Film: Royal Flash. Comedy, starring Malcolm McDowell (1975).

3.30 Snooker: The European League.

CHANNEL4

8.10 Early Morning. 9.45 The Odyssey. 10.15 Saved by the Bell. 10.45 Rawhide. 11.45 Little House on the Prairie. 12.45 pm Surf Potatoes.

1.15 Film: The Best Years of Our Lives. Oscar-winning drama following three World War Two veterans as they try to pick up the pieces of their shattered lives. Fredric March and Myrna Loy star (1946).

4.20 Every Dog's Guide to Complete Home Safety.

4.30 News Summary.

4.35 Film: The Westerner. A wandering cowboy becomes mixed up in a range war between cattlemen and homesteaders in 1880s Texas. Wild West adventure, starring Gary Cooper and Walter Brennan (1940).

6.30 The Cosby Show.

7.00 Secret History: The Dambusters' Raid. In 1943 a squadron of Lancaster bombers deployed Barnes Wallis's unique bouncing bomb to destroy two dams in northern Germany, as part of a plan to cripple German industry by flooding the Ruhr valley. The raid, in which 53 out of 133 airmen died, was initially heralded as one of the major Allied triumphs of the second world war, but in recent years historians have begun to question its strategic value.

8.00 Speak Out. Members of the public present filmed reports on the current state of civil rights in Britain, investigating efforts by Nottingham council to curb crime on local housing estates by installing security cameras, liaising with the police and encouraging informers. Do such measures threaten civil liberty and the basic freedom of the individual?

9.00 Film: The Hustler. Oscar-winning melodrama, starring Paul Newman as a disillusioned pool shark who regains his self-respect after taking on a champion player (Jackie Gleason). With George C Scott (1961).

11.30 Islamic Conversations. Syed Fadlallah, a leading figure in the Lebanese Islamic Movement, discusses the Moslem view of holy war.

12.00 Film: Anne Trister. A Jewish woman visits Quebec in an attempt to come to terms with the recent death of her father. Emotional drama, starring Albane Guilhe and Louise Marleau (1986). (English subtitles).

1.55 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
9.25 The New Scooby Doo Movies. 10.05 Porky Pig. 12.30 Countrywide. 12.55 Anglia News. 2.00 Father Dowling Investigates. 3.00 Earth Star Voyager. (TVM 1988) 5.30 Don't Clap – Just Throw Money. 6.00 Anglia News on Sunday 10.40 Anglia Weather. 10.45 The Graduate. (1967)

CENTRAL:
9.25 The New Scooby Doo Movies. 10.05 Porky Pig. 12.30 Central Newsweek. 12.55 Central News 2.00 It's Your Shout. 2.35 Take 15. 2.50 Gardening Time. 3.20 The Absent-Minded Professor. (1961) 5.05 Cartoon Time. 5.20 Murder, She Wrote. 6.15 Central News 10.40 Local Weather. 10.45 Mistress. (TVM 1987)

GRAMPIAN:
9.25 The New Scooby Doo Movies. 10.05 Porky Pig. 11.00 Sunday Service. 11.45 Elkon. 12.30 Gardener's Diary. 12.55 Grampian Headlines. 2.00 Return to Peyton Place. (1961) 4.20 Movies, Games and Videos. 4.50 World Cup Hall of Fame. 5.20 The A-Team. 6.15 Grampian Headlines 10.40 Grampian Weather. 10.45 A Lovely Way to Go. (1968)

GRANADA:
9.25 The New Scooby Doo Movies. 10.05 Porky Pig. 12.25 Granada on Sunday. 12.55 Granada News 2.00 Stuntmasters. 2.45 Rally Round the Flag Boys. (1958) 4.45 Mum's the Word. 5.15 Coronation Street. 6.15 Granada News 10.45 A Lovely Way to Go. (1968)

HTV:
9.25 The New Scooby Doo Movies. 10.05 Porky Pig. 12.25 The Littlest Hobo. 12.55 HTV News. 2.00 HTV Newsweek. 2.30 Highway to Heaven. 3.25 Murder One. (TVM 1988) 5.15 On Your Street. 5.45 Great Westerners. 6.15 HTV News. 10.40 HTV Weather. 10.45 A Lovely Way to Go. (1968)

MERIDIAN:
9.25 The New Scooby Doo Movies. 10.05 Porky Pig. 12.30 Seven Days. 12.50 Meridian News. 2.00 Life Goes On. 2.55 The Amazing Captain Nemo. (1978) 5.45 Survival. 6.15 Meridian News. 10.45 The South Bank Show. 11.45 Highwaymen.

SCOTTISH:
9.25 The New Scooby Doo Movies. 10.05 Porky Pig. 11.00 Sunday Service. 11.45 Elkon. 12.30 Skoosh. 12.55 Scotland Today. 2.00 The A-Team. 3.00 The Great Escape. (1963) 6.15 Scotland Today 6.30 Scottish Passport. 10.40 Scottish Weather. 10.45 NB Country Music Special. 11.45 The Little Drummer Girl. (1984)

TYNE TEES:
9.25 The New Scooby Doo Movies. 10.05 Porky Pig. 12.25 Newsweek. 12.55 Tyne Tees News. 2.00 World Cup Heroes and Villains. 3.00 Carry On Cruising. (1962) 4.45 Cartoon. 4.55 Father Dowling Investigates. 5.50 Tyne Tees Weekend. 10.45 Monte Walsh. (1970)

WESTCOUNTRY:
9.25 The New Scooby Doo Movies. 10.05 Porky Pig. 12.30 Westcountry Update. 12.55 Westcountry News. 2.00 The Battle of Midway. (1976) 4.20 Brief Encounters. 4.50 Blooming Marvellous. 5.20 Murder, She Wrote. 6.15 Westcountry News. 10.45 A Lovely Way to Go. (1968)

YORKSHIRE:
9.25 The New Scooby Doo Movies. 10.05 Porky Pig. 12.25 The Littlest Hobo. 12.50 Calendar News. 2.00 World Cup Heroes and Villains. 3.00 Carry On Cruising. (1962) 4.45 Cartoon. 4.55 Father Dowling Investigates. 5.50 Calendar News and Weather 10.40 Local Weather. 10.45 Monte Walsh. (1970)

RADIO

SATURDAY

...C RADIO 2

...! Sujata Barot. 8.05 Brian ...thew. 10.00 Judi Spiers. ...0 Hayes on Saturday. 1.30 ... Can't Have One without ... Other. 2.00 The Golden ...s of Radio. 3.00 Ronnie ...n. 4.00 Missing Movies - A ...e for Sherlock Holmes. 5.00 ...k Barraclough. 6.00 Bob ...ess Requests the Pleasure. ...Cinema 2. 7.30 The Spirit ...ngland. 9.30 David Jacobs. ...0 The Arts Programme. ...5 Ronnie Hilton. 1.00 Jon ...gs. 4.00 Sujata Barot.

...C RADIO 3

... Open University: Talking ...t the Enlightenment. 6.55 ...ther. 7.00 Record Review. ... Hovhaness, Brahms, ...mmer, Scriabin, Ravel. 9.00 ...ting a Library. Handel's ...l in Egypt, by John Steane. ...5 Record Release. Kevin ...ns, Gavin Bryars, Benedict ...on, Mozart. 12.00 Spirit of ...Age. 1.00 Poetry in Action. ... String Trios. 2.30 Margaret ...arhut. Suk. 3.00 Giulini: All ...ood Time. Verdi. 5.00 Jazz ...rd Requests. With ...frey Smith. 5.45 Music ...ers. Presented by Ivan ...ett. 6.30 Chopin. 7.10 Le ...Giardiniera. Mozart's ...-act opera. 10.40 The ...k of Disguise. Steve ...tson reads from Fernando ...oa's masterpiece. 11.00 Impressions. Profile of the Candid label. 12.30 Close.

BBC RADIO 4

6.00 News.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Whatever Happened To?
10.30 The Masterson Inheritance.
11.00 (FM) The Week in Westminster.
11.00 (LW) Test Match Special. Cricket.
11.30 (FM) Europhile.
12.00 (FM) Money Box.
12.25 (FM) I'm Sorry I Haven't a Clue.
1.00 (FM) News.
1.10 Any Questions?
2.00 Any Answers? 071-580 4444. Phone-in response programme.
2.00 (LW) Test Match Special.
2.30 (FM) Playhouse: Seven Foot with a Wooden Leg. By Peter King.
4.00 (FM) That's History.
4.30 (FM) Science Now.
5.00 (FM) File on 4.
5.40 (FM) The Wardrobe.
6.00 News and Sports.
6.25 Week Ending.
6.50 The Locker Room.
7.20 Kaleidoscope Feature.
7.50 Saturday Night Theatre: Five Little Pigs. By Agatha Christie.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 Word of Mouth.
10.45 Surviving in Stroke City.
11.00 The Tingle Factor.
11.30 The Larkin Letters - 1941-1954.
12.00 News.
12.33 Shipping Forecast.
12.43 (FM) Close.
12.43 (LW) As World Service.

BBC RADIO 5 LIVE

6.05 Dirty Tackle.
6.30 The Breakfast Programme.
9.00 Weekend with Kershaw and Whittaker.
11.05 Special Assignment.
11.30 Crime Desk.
12.00 Midday Edition.
12.15 Sportscall.
1.04 Sport on Five.
6.35 Ian Botham Six-O-Six.
7.35 Saturday Edition.
9.00 World Cup '94.
11.00 Night Extra.
12.05 After Hours.
2.00 Up All Night.

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m) at these times BST:

6.00 Morgenmagazin. 6.30 Europe Today. 7.00 World and British News. 7.15 The World Today. 7.30 Meridian. 8.00 World News. 8.15 Waveguide. 8.25 Book Choice. 8.30 People and Politics. 9.00 World News. 9.09 Words of Faith. 9.15 A Jolly Good Show. 10.00 World News and Business Report. 10.15 World Brief. 10.30 Development 94. 10.45 Sports Roundup. 11.00 Printer's Devil. 11.15 Letter from America. 11.30 BBC English. 11.45 Mittagsmagazin. 12.00 Newsdesk. 12.30 Meridian. 1.00 World News. 1.09 Words of Faith. 1.15 Multitrack 3. 1.45 Sports Roundup. 2.00 Newshour. 3.00 News Summary; Sportsworld. 4.00 World News. 4.15 BBC English. 4.30 Heute Aktuell. 5.00 World and British News. 5.15 Sportsworld. 6.00 BBC English. 6.30 Heute Aktuell. 7.00 News and features in German. 8.00 News Summary; The Great Leveller. 8.45 From the Weeklies. 9.00 World News. 9.09 Words of Faith. 9.15 Development 94. 9.30 Meridian. 10.00 Newshour. 11.00 World News. 11.05 Words of Faith. 11.10 Book Choice. 11.15 Jazz for the Asking. 11.45 Sports Roundup. 12.00 Newsdesk. 12.30 The Musician's Musician. 1.00 World and British News. 1.15 Good Books. 1.30 The John Dunn Show. 2.00 News Summary; Play of the Week: As You Like It by William Shakespeare. 3.00 Newsdesk. 3.30 The Greatest Music Festival in the World. 4.00 Newsdesk. 4.30 BBC English. 4.45 News and Press Review in German.

SUNDAY

BBC RADIO 2

7.00 Don Maclean. 9.05 Michael Aspel. 10.30 Hayes on Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 Serenade in Brass. 4.30 Sing Something Simple. 5.00 Roger Royle. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 Reassessing Sellers. 12.05 Steve Madden. 3.00 Alex Lester.

BBC RADIO 3

6.30 Open University: Gender and Consumption. 6.55 Weather. 7.00 Sacred and Profane. 9.00 Brian Kay's Sunday Morning. Vaughan Williams, Wagner, Mendelssohn, Purcell, Honegger, Hummel, Franck, Elgar, C.P.E. Bach, Kodaly, Malcolm Arnold, Bach, Respighi. 12.15 Music Matters. 1.00 The Sunday Concert. 2.40 Haydn. 3.00 1994 Aldeburgh Festival. 4.45 Peter Wallfisch. Beethoven. 5.15 Making Waves. With American singer-songwriter Peggy Lee. 6.00 Brodsky Quartet. 7.00 Sunday Play: Measure for Measure. Shakespeare's comedy. With Ronald Pickup. 9.30 Music in Our Time. 10.50 Choir Works. Lassus and Schutz. 12.30 Close.

BBC RADIO 4

6.00 News.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 The Living World.
7.40 Sunday.
8.50 The Week's Good Cause.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.00 The Archers.
11.00 Mediumwave.
11.00 (LW) Test Match Special.
11.45 The New Europeans.
12.15 Desert Island Discs.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Classic Serial: The Tree of Strife.
3.30 Pick of the Week.
4.15 Analysis.
5.00 Richard and the Chocolate Factory.
5.30 Poetry Please! Anonymous verse.
6.00 Six O'Clock News.
6.15 Feedback.
6.30 Crimewaves. Final part of Diane Whitley and Dave Simpson's thriller.
7.00 In Business. Stress in the workplace.
7.30 A Good Read.
8.00 That's History.
8.00 (LW) Open University.
8.30 Hearing Heaven.
9.00 The Natural History Programme.
9.30 Big Bang.
10.00 News.
10.15 Hancock's Half Hour. The Last of the McHancocks, by Ray Galton and Alan Simpson.
10.45 Singing for a Living. Nigel Douglas talks to soprano Josephine Barstow.
11.15 In Committee.
11.45 Seeds of Faith.
12.00 News.
12.30 Shipping Forecast.
12.43 (LW) As BBC World Service.
12.43 Close.

BBC RADIO 5 LIVE

6.05 Hot Pursuits.
6.30 The Breakfast Programme.
9.00 Alastair Stewart's Sunday.
12.00 Midday Edition.
12.15 The Big Byte.
1.04 Sunday Sport.
7.00 News Extra.
7.35 Black to the Future.
8.00 The Ultimate Preview.
10.05 Special Assignment.
10.35 Crime Desk.
11.00 Night Extra.
12.05 Nightcall.
2.00 Up All Night.

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m) at these times BST:

6.00 News and features in German. 6.30 Composer Of The Month. 7.00 World and British News. 7.15 Letter from America. 7.30 Jazz For The Asking. 8.00 World News. 8.15 Crossing the Border. 8.30 From Our Own Correspondent. 8.50 Write On. 9.00 World News. 9.09 Words of Faith. 9.15 Ray on Record. 10.00 World News and Business Review. 10.15 Short Story. 10.30 Folk Routes. 10.45 Sports Roundup. 11.00 News Summary; Science in Action. 11.30 BBC English. 11.45 News and Press Review in German. 12.00 Newsdesk. 12.30 The John Dunn Show. 1.00 News Summary; Play of the Week: As You Like It. 2.00 Newshour. 3.00 News Summary; After the Revolution. 3.30 Anything Goes. 4.00 World News. 4.15 BBC English. 4.30 News and features in German. 5.00 World and British News. 5.15 BBC English. 6.00 World News and Business Review. 6.15 Printer's Devil. 6.30 News and features in German. 8.00 The Musician's Musician. 8.30 Europe Today. 9.00 World News. 9.09 Words of Faith. 9.15 A Question of Science. 9.30 Brain of Britain. 10.00 Newshour. 11.00 World News and Business Review. 11.15 Short Story. 11.30 Letter from America. 11.45 Sports Roundup. 12.00 Newsdesk. 12.30 After the Revolution. 1.00 World and British News. 1.15 A Step Too Far. 1.30 In Praise of God. 2.00 News Summary; The Great Leveller. 2.45 Crossing the Border. 3.00 Newsdesk. 3.30 Composer of the Month. 4.00 Newsdesk. 4.30 BBC English. 4.45 Fruhmagazin.

CHESS

Giving your opponents a game start is a peculiar way to qualify for world championships, but it works for Nigel Short. In becoming Gary Kasparov's challenger, Short squandered points at the start of his interzonal and in all four candidates' matches. Each time, defeat seemed to stir him.

Short was back in his old routine at the Intel quarter-finals in New York. After his dismal loss to Boris Gulko (see last week's puzzle), Short won in style the next day to square the eight-game series.

(N. Short, White; B. Gulko, Black).

1 e4 c6 2 d4 d5 3 Nc3 dxe4 4 Nxe4 Nd7.

5 Bc4 Ngf6 6 Ng5 e6 7 Qe2. Nb6 8 Bb3 h6 9 N5f3 a5 10 c3 c5 11 a3 Qc7. Here, Kasparov played 12 Ne5? at Linares and his opponent Karpov missed 12...Bxa3! when 13 Rxa3 Qxc1+ or 13 bxa3 Qc3+ win for Black.

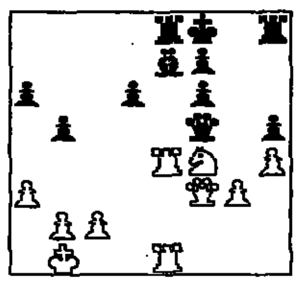
After their mutual oversight, K and K began damage limitation. Kasparov claimed he had seen Bxa3 and planned 14 Bxh6 Bxb2 15 Qxb2 Rxh6 16 Ngf3 with compensation for a pawn. Then Karpov retorted that 14 Bxh6 Bb4+ 15 Bd2 Bxd2+ 16 Qxd2 a4 was better for Black, and that 12 Ne5 was White's logical move.

12 Nh3! Both Ks were bluffing. Short simply develops another piece. Bd7 13 0-0 Bd6 14 dxc5 Qxc5 15 Be3 Qc7 16 Bd4 Ng4? 17 Nd2! Nf6 Black finds that if Nxh2 18 Bxb6 Qxb6 19 Nc4 Qc7 20 Nxd6+ Qxd6 21 Rfd1 Qc7 22 f3 traps his knight.

18 Kh1 0-0 19 Bxf6 gxf6 20 Qg4+ Kh7 21 Ne4 f5 22 Nf6+ Kh8 23 Qh4 Kg7 24 Rad1 Bc5 25 Nb5+ Kg7 26 f4 Bb8 27 Ng5+! Resigns.

White has a mating attack after Kg8 28 Nf6+ Bxf6 29 Qxh6 or Kg6 28 Rd3 hxg5 29 Qxg5+ Kh7 30 Nf6+.

Chess No 1026



Vishy Anand v Peter Leko, Intel blitz, Munich 1994. The world's best speed player meets the youngest grandmaster, aged 14. How does White (to play) win quickly?

Solution, Page XXI

Leonard Barden

BRIDGE

This hand from rubber bridge was played in a Danish club. Here is the Power of Pressure:

N
♠ 3
♥ A K Q 7 5 3
♦ A Q 8
♣ 7 5 3

W
♠ A 7 6 5 4 2
♥ 9
♦ 6 4 3 2
♣ 9 2

E
♠ Q J
♥ 6 4 2
♦ 9 7 5
♣ K J 10 8 4

S
♠ K 10 9 8
♥ J 10 8
♦ K J 10
♣ A Q 6

South was dealer, with North-South vulnerable, and opened the bidding with one club. West over-called with one spade – a dubious bid – and North said two hearts. East raised to two spades, South rebid three no-trumps, and North's jump to six no-trumps concluded the auction.

West started with the four of diamonds and prospects were not good. There were 10 top tricks and, in view of West's over-call, the club finesse seemed unlikely to succeed.

Winning with dummy's ace, South cashed the six heart winners, discarding two of his spades and the club six from hand. There was nothing for it: the finesse in clubs had to be taken, so declarer led a club and finessed his queen. It held. In the five-card ending, West held A7 of spades and 63 of diamonds; dummy held 3 of spades,Q8 of diamonds and 75 of clubs; East held QJ of spades, 9 of diamonds and KJ of clubs; while the declarer held K10 of spades, KJ of diamonds and ace of clubs.

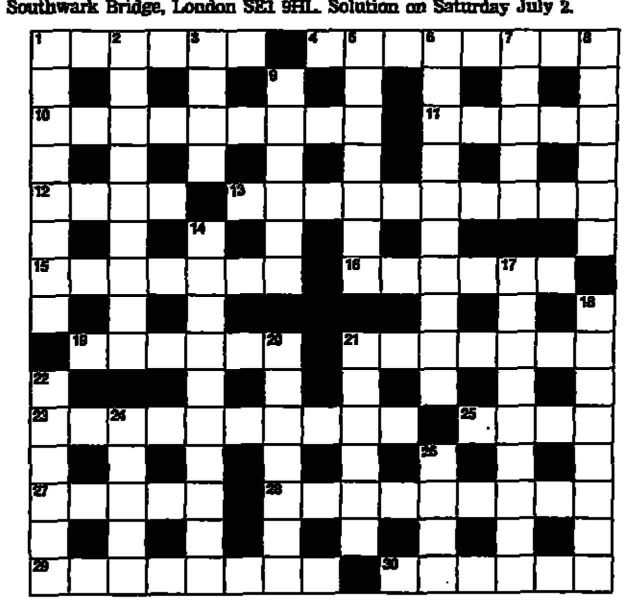
South led the ace of clubs, forcing West to throw a diamond, and then cashed king and queen of diamonds, forcing East to throw one of his spades. Now the three of spades ran to queen, king and ace, and West had to return his seven to give declarer his 12th trick. Full marks to South for an excellent performance.

E.P.C. Cotter

CROSSWORD

No. 8,483 Set by DINMUTZ

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday June 29, marked Crossword 8,483 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday July 2.



Name............

Address............

ACROSS

1 Resolve of police force in river (6)
4 Sacks for people handling money (8)
10 One in court showing ugly fit of pique? (9)
11 Donated long hammer (5)
12 Rank-smelling lido to be rebuilt (4)
13 Nurseryman's guarded guarantee with hawthorn? (10)
15 Act of oblivion set many free (7)
16 Results of games, possibly (6)
19 Salts away from supermarkets (6)
21 Char served cold, with less fat on it (7)
23 High C's, we hear, harmonizing in such a big vessel? (5-5)
25 Composer in a chamber group (4)
27 Fortify with spirit (5)
28 Person often on the rocks gets igloo converted (9)
29 Slack water presumably late in the day? (8)
30 Fresh approach to sailors (6)

DOWN

1 One needs tact with mad pilot in flight (8)
2 Old reed instrument (the modern type has one hole fewer) (9)
3 Depression in study time (4)
5 Good-natured American fellow with story (7)
6 It measures humidity in the merry-go-round (10)
7 First of early birds in roof-edges (5)
8 Richard Strauss' headhunter? (6)
9 One may have large and little woman in it! (6)
14 A cord, net perhaps, that is checking blood flow (10)
17 Inner gate opens to reveal a mandarin in a loose jacket (9)
18 Expression of full agreement follows Britain's first resort (8)
20 School kept record, having worked hard (7)
21 Insincere talk about part of Switzerland (6)
22 Clydeside Moll? (6)
24 Awesome electromotive force on lake (5)
26 Bird dead, with nothing to follow? You can say that again! (4)

Solution 8,482

C	A	T	A	P	U	L	T		P	S	Y	C	H	E
H		I		A		O				A		A		N
A	P	P	O	S	I	T	E		P	L	A	N	E	T
N		P		T		T		S		A		I		I
G	I	L	G	A	M	E	S	H		M	I	S	E	R
E		E				R		O		A		T		E
			S	T	A	Y		P	U	N	G	E	N	T
E		S		N						C		R		Y
S	O	P	W	I	T	H		L	E	A	D			
O		O		N		O		E				R		F
T	R	I	C	K		S	U	P	E	R	S	E	D	E
E		L		L		T		R		E		M		T
R	O	A	D	I	E		K	O	H	L	R	A	B	I
I		G		N				S		I		I		S
C	L	E	R	G	Y		H	Y	A	C	I	N	T	H

Solution 8,471

A	D	O	L	E	S	C	E	N	T	S		C	U	P
B		B		A		A		I		E		H		O
R	E	E	D	S		L	E	C	H	E	R	O	U	S
A		D		E		L		O		S		S		I
S	T	I	L	L	N	E	S	S		A	D	E	P	T
I		E				R		I		W		N		S
O	M	N	I	B	U	S		A	R	I	D			
N		T		R						N		A		G
			P	O	O	H		B	E	G	O	N	I	A
A		S		A		O		A				C		R
R	A	P	I	D		U	N	L	E	A	S	H	E	D
T		I		L		S		O		E		O		E
F	O	R	G	O	T	T	E	N		S	I	R	E	N
U		I		O		O		E		O		E		E
L	E	T		M	O	N	E	Y	S	P	I	D	E	R

WINNERS 8,471: A. Durai, Burgess Hill; Mrs M. Crowther, Manchester; Mrs J. Harris, Sydling-St-Nicholas, Dorset; D. Kelmanson, Hadley Wood, Herts; N.W. Lee, Tonbridge, Kent; A. Polakowski, Mold, Clwyd.

Short – not necessarily sweet

***Dominic Lawson** considers the weighty political and economic significance of a truncated name*

Last week The Spectator received advance notice of an impending political disaster. It came in the form of a letter from David de Pinna, which warned that "there is a possibility that Great Britain could have a prime minister named Tony. Tony!"

Following the disastrous showing of the government in the European elections, and the cracking start by Tony Blair in the campaign for the Labour leadership, there is indeed a good chance of de Pinna's nightmare becoming reality.

He concludes: "That an important section of the western world could be 'led' by Bill and Tony does not inspire. What lack of dignity. Flower-pot men indeed!"

It is less surprising that an American President could be called 'Bill'. One of the characteristics which distinguishes our former colony from the motherland is the way in which its citizens make haste to shorten their given names. Have you ever heard of an American called Charles? Only 'Chuck' will do. If you are called 'Charles' and you have spent any time in America, you will know, all too embarrassingly, what I mean.

The Australians are similarly besotted with the instantly familiar abbreviation. I have never been called anything other than 'Dom' by Australians, something which no Englishman has ever attempted even as a joke. But if it was Prime Minister 'Bob' Hawke, who am I to complain?

It is a pity, though, that the habit has caught on in Britain. I used to enjoy teasing 'Chris' Patten at his insistence on the chummy familiar, and I believe that it sounds even odder for a governor of Hong Kong. If Patten had stuck to his baptismal name of Christopher, he could have enjoyed wearing a plumed hat at his inauguration. But as 'Chris' he had no choice but to break with tradition, and take the oath bareheaded.

The last time I raised this matter with Patten, he pointed out that at least he, on attaining high office as a Cabinet minister, had not suddenly and mysteriously transformed himself back into a Christopher.

I believe he was referring to Ken Baker, who reinstalled his 'neth' on becoming a member of one of Thatcher's cabinets. I have a sneaking feeling that Clarke has also encouraged more of the Kenneth and less of the 'Ken' since he became chancellor. I would have said that this was an essential political act, that a chancellor called Ken was no sort of guarantee of the value of the pound. But look, we now have a Governor of the Bank of England called 'Eddie'.

At first I thought this a national disgrace, but recently I have come round to seeing the virtue in it. Just as a Labour government needs to be far more financially prudent than a Conservative one to keep the markets happy, so I believe that a Bank of England Governor called 'Eddie' needs to behave with a wholly admirable caution in order to be taken seriously by teenage currency traders who might very well also be called 'Eddie'. A grandee called Sir Edward George might think he could get away with any sort of nonsense.

However, what is good enough for the Bank of England and the future of the currency is clearly not good enough for the residents of a private housing estate in the town of Midsomer Norton. Those people are very unhappy that the local council – a Labour one – had determined to call the new estate 'Reg Jones Close', after a miner who died two years ago.

The residents, apparently, had assumed that their estate was going to be called Wellow Brook Meadow, and were convinced that the name Reg Jones Close would cause the value of their property to suffer. It was not the fact that Jones was a miner which was the problem – the council has acceded to residents' wishes – nor even his given name. It was that damned abbreviation. One of the residents, complained: "I wouldn't mind Reginald at all. But 'Reg' sounds so ridiculous."

Will the prospect of posthumous ridicule from irate property owners cause Blair to reassume the dignity of 'Anthony'? No. I believe we will have a Labour prime minister named 'Tony'. But at least he won't be called Benn. That really would have been flower-pot time.

Dominic Lawson is editor of The Spectator.

Private View/**Christian Tyler**

A detective on the trail of life

A whizz-kid of the palaeobiological world, Conway Morris is a man who has a prehistoric surprise or two up his sleeve . . .

Mankind's ancestor – or something very close to it – is lying quietly in a drawer in Simon Conway Morris's study. *Pikaia* is two inches long, scarcely more than a dark, minnow-shaped indentation in a flake of blue-grey shale.

It does not look like much. But Conway Morris has spent 20 years studying this and other weird little sea creatures crushed in a Canadian mudslide some 525m years ago. To him *Pikaia* is clearly a primitive chordate, a precursor of the fish and, thus, of all vertebrates, including *homo sapiens*.

Conway Morris is perhaps more *sapiens* than most of us. At 42 he is a lively, approachable and humorous sort of academic, with something of the scruffy, fossil-hunting schoolboy about him.

But he is a whizz-kid of the palaeobiological world, one of a trio of Cambridge University scientists – the others were fellow graduate student Derek Briggs and their supervisor Harry Whittington – whose exploits were dramatised in *Wonderful Life*, a prize-winning science book by Stephen Jay Gould.

According to Gould, the trio's revelations about the multiplicity of strange body-plans found in the Burgess Shale of the early Cambrian period – long, long before the dinosaurs – should shatter Man's last illusions about his special place in the universe.

We have been in psychological retreat for several hundred years. First we were removed from the centre of the solar system, then we were exposed as *parvenu* animals, then we were relegated to an obscure corner of the cosmos. Now, argued Gould, it should be clear that we people are an extraordinary fluke, the lucky survivors of an evolutionary lottery. And if you re-ran the tape it would all turn out very differently indeed.

Well, not quite. The hero of this palaeontological detective story disagrees profoundly with that kind of interpretation of his work.

Would you say, I asked him, that evolution is in some sense progressive?

"Yes. I would. This is not something which is popular. Gould makes the fair point that we are one twig of an enormous tree of evolution, and in that way we are no more privileged than the millions of other planets which are meant to have life on them. Presumably on at least some of them something close to what we identify as consciousness has arisen. It would be strange if it hadn't."

So Conway Morris is not surprised that animal consciousness and big brains emerged on earth. Indeed, he thinks that was indicated as far back as the Cambrian when neural tissue was already evident and creatures had developed enough nervous apparatus to escape their predators. A bigger puzzle, he said, was why *homo sapiens* had been sitting around for 50,000 years doing practically nothing before his mental life took off.

Nor was evolution such a great lottery. The appearance of any particular species, such as *homo sapiens*, could be called a big surprise, but a bipedal omnivore was not wildly unlikely. "It is a lottery only in the sense that I wouldn't be sitting here if my parents hadn't met. But almost certainly this building would be here, and you can take things much further back."

For although the body plans of the fossil creatures in the Burgess Shale were very diverse, their mechanisms tended to converge. (He does not believe, either, that the variety of creatures alive then was any greater than it is today.)

"If there is air, you would expect flyers, if oceans, swimmers," he explained. "And you can only move through water in about four different ways. You can row, or you can have a sinuous movement like an eel, or you can 'fly', or you can have jet propulsion."

Can evolution tell us about our future?

"No, of course not, no. It was always clear that potentially the sky's the limit. Very seldom is it achieved. I think you can't say more than that. But at one level I feel we have almost progressed as far as we can."

Our technical ability is outrunning our evolutionary development?

"Oh yes! Our ability to run social systems seems to be perilously awry. I know that doom-gloom is the fashion, but . . ."

Does this view come from your palaeobiology?

"I think it has a negligible influence. That's just what I do extremely well, in the same way as a woodworker or a potter."

It was important for us to know our history. "But it is no good appealing to that as a justification for our behaviour, because it's been made perfectly clear how we ought to behave."

To argue that the size of the universe reduced us to insignificance was nonsense, he continued, precisely because we had the ability to comprehend it. "We have the privilege to understand our biological history – and don't misunderstand me, I'm a dyed-in-the-wool neo-Darwinian when it comes to evolution. Its a fascinating story and it's fun to work out. But – and I'd better be careful what I say – it really doesn't make a great difference now we're here, because the experiment we're engaged in of rampant consciousness is evolutionarily unique."

Technically Conway Morris is at the peak of his trade; philosophically he appears out of the mainstream. I was reminded of Teilhard de Chardin, the French palaeontologist and Jesuit who tried to synthesise evolutionary biology and Christian teleology. Did Teilhard's idea of a "noosphere" make any sense?

"That I'm much less sure of. It's very difficult. This is really my private thing and I have to be very careful what I say. But my own sense is that consciousness is much more than simply the sum of the parts plus a bit: it's much more than epiphenomena.

"I think that there is something about consciousness which actually involves one making contact with something. In other words, I don't think it's entirely in one's head.

"But this is a completely unscientific thing to say. It's impossible to justify. When someone dies their brain stops working and in so far as we know they lose consciousness. So far as we know. My strong sense is – not thinking in necessarily a Jungian or Christian way, let alone any other religion – is that you are effectively making contact with something outside yourself."

With something more than, say, a collective unconscious?

"I suspect so."

What makes you say that?

"Hunch. Total hunch."

You're an odd biologist, then.

"Indeed, yes." He pointed to a book among the heaps of papers stacked about the room. It was entitled *Mithras*. "You see, I'm quite interested in theology," he said.

Conway Morris hopes to spring another prehistoric surprise. With the freedom he now enjoys as Reader in evolutionary palaeobiology at Cambridge, he has been working in Greenland with John Peel of Uppsala University on a fossil find about 10m years older than the Burgess Shale.

"Would you like to see?" He dragged out a blown-up drawing of what looked like a woodlouse. This was *Halkieriid*, a sort of hard-topped slug which Conway Morris believes will show how different body plans, or phyla, can develop from a common parent.

"We think that we have more or less cracked the problem of the origin of phyla," he said. "This sounds very hubristic. I've been wrong in the past." (He got one of his Burgess Shale creatures, *Hallucigenia*, upside down). "But if our ideas are accepted, it would mean we have cracked what has been regarded as a fairly significant problem – the origin of a large number of separate designs over a short period of time."

This discovery, if so it be, coincides with the latest thinking of Cambridge's molecular biologists who have found similarities in the genetic instruction mechanism for creatures as different as mice and flies.

I asked him: Doesn't your engagement with these creatures from an unimaginably distant age make you feel your own existence is pathetically short?

"Hubristically, one would say you can always play it at two levels. By now one knows one's own mortality. It isn't that one has some privileged or special destiny – rather the reverse – but the very fact that one can get such intense enjoyment from things like music, because you are carried out of yourself, those sort of concerns shrink to nothing.

But the fact that we are apparently so contingent . . ?

"We have to grow up. I agree with that. But we are responsible for our actions – that's never been denied.

"I dont think our 'contingency' makes a big difference. Some people may seek a very high and noble vision through science – science acting as a substitute for a spiritual crutch. I don't think that is achievable by science alone . . .

"You may say our deep notions of purpose are just defence mechanisms, that the whole thing is a complete joke – there's nothing out there, we're on a small planet, we're all going to die, our species may last, maybe, a million years. You could say we are just an awful mistake and the sooner we go, the better. One doesn't want to believe that. And, as it happens, I don't."

Tony Andrews

I'll be hornswoggled

Michael Thompson-Noel

For reasons that do not matter, I spent part of this week fossicking through the *FT's* "sportswire" basket, looking for stories about the World Cup. The sportswire basket is one of the most obscure baskets in the *FT's* computer system.

Only the most exotic journalists are allowed near it – no doubt on the assumption that *FT* writers do not need to know the result of the Coronation Stakes at Royal Ascot, or whether the Colombian soccer team is permitted to smoke grass on World Cup rest days.

I, on the other hand, am allowed to rummage anywhere, including the sportswire basket, which marshals all sports stories filed on the news-agency circuits to which the *FT* subscribes.

Enjoyably, I found myself time-machined back into the macho milieu of news-agency sports reporting. This is a rough, tough world. You sink or you swim. You have to be good and you have to be fast. There is no room for wimps. Funnily enough, I used to *be* a sportswriter, and was once offered a job by Associated Press, the American news agency, in Virginia.

I could not get a work permit, so I drifted back to London. But my browsing in the sportswire basket reminded me of the starkness and directness of news-agency work, and of the values of sports journalism, which is often regarded snootily by non-sports hacks.

Here is the start of a news-agency sports story filed this week from Pittsburg:

Colin Montgomerie has been looking forward to the US Open more than anything else this year. But when he tees off at Oakmont tomorrow the big Scot's primary aim will be to try to avoid making a complete fool of himself.

And here is the start of another, filed from London:

It's just what soccer purists feared. Now Americans are staging the World Cup, they plan to revolutionise the sport, painting the field red, blue and yellow, breaking the game into three thirds instead of two halves and having players wear skin-tight body-stockings instead of shirts and shorts.

The new look to a sport steeped in tradition will come in a pro league starting up next year in 12 American cities.

HAWKS & HANDSAWS

There is a great deal of technique at work here. Both stories hook your attention at once, and hold on like terriers. For example, the first story, about golfer Colin Montgomerie, used the delayed-action trick with consummate skill. It wasn't until the fourth paragraph that we realised that "making a complete fool of himself" had a technical – golfy – meaning, and wasn't just abuse:

"By making a fool of yourself [said Montgomerie] *I mean three- or four-putting from 10ft, hardly moving the ball in the rough, or thinning or shanking it."*

It strikes me that non-sports journalists in Britain could learn a great deal by reading their own sports pages. There is a belief in some quarters that Britain's national press is living through a dark age, or at least a grey one, caused by the ascendancy of accountants and the drive for greater journalistic productivity. As a result, Britain's newspapers, at least at the quality end, have been bleached and leeched so violently that they have become fuzzy and unadventurous. Their aggression has been stomped out.

I sometimes wonder whether this lack of aggression is the reason that John Major has survived so long in office. John Major is prime minister of Britain, though to look at Britain you would not believe that anyone was in charge. This is how one story about Major started this week:

A surprise return by John MacGregor to the education department is one of the options being considered by John Major as he prepares for a substantial reconstruction of the government next month.

What a cop-out. How tame. Instead, a top wire-agency writer might have written it like this:

Prime minister John Major couldn't spell "hornswoggle" if he tried. He even has trouble with "dunce." But to boost his government's IQ into the low 20s, he is plotting a savage ministerial shake-up. Only trouble is, it features the return of John "Brains" MacGregor to the education job.

With the World Cup starting in the US, I would urge journalists on Britain's up-market papers to study the skills and aggression that underpin the work of the sportswriters. If we were as good as they are, Britain's troubles would disperse like mist at the 14th tee.